

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

Highlights of the Quarter

We continued to focus more on value-added services, while revenue from long distance service decreased. Investments were made to reinforce our niche player position in the Mexican telecomm market.

Operations

During 1Q08, we continued to execute our growth strategy in non-long distance, value-added services, which are more profitable than traditional LD. These services represented 61% of total revenues in the quarter. Growth of non-long distance services was particularly noticeable in internet related services and direct access. Internet-related services increased in 1Q08 due to the continuing growth of Ethernet and managed services.

Regarding long distance, our network handled a total volume of 714 million of minutes of use (MMOU) during 1Q08, a 9% decrease over the 788 MMOU reported during the previous quarter and 11% below the 801 MMOU of 1Q07. The decrease in MMOU resulted from lower international traffic.

Revenues

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

Table 19
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Revenues

	1Q08	4Q07	1Q07	1Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				4Q07	1Q07			
Total Revenues								
P.s. Millions	1,137	1,232	1,221	(8)	(7)	1,137	1,221	(7)
U.S.\$ Millions	105	113	107	(7)	(2)	105	107	(2)
Domestic Revenues								
Domestic (Ps. Millions)	1,007	1,016	877	(1)	15	1,007	877	15
Domestic (U.S. \$ Millions)	93	93	77	-	21	93	77	21
Foreign Revenues								
Foreign (Ps. Millions)	129	216	344	(40)	(63)	129	344	(63)
Foreign (U.S. \$ Millions)	12	20	30	(40)	(60)	12	30	(60)
Foreign / Total (%)	11.4	17.7	28.0			11.4	28.0	

Our 1Q08 total revenues decreased by 7% when compared to 4Q07, and by 2% vis-à-vis the same quarter of 2007. This was the result of lower revenues from international long distance services. It is worth explaining that the decrease in international LD was partially offset by a 17% increase in revenues from value added services.

Operating Income, Margins and EBITDA

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

Table 20
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Operating Income, Margins and EBITDA

	1Q08	4Q07	1Q07	1Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				4Q07	1Q07			
Operating income								
Ps. Millions	134	146	69	(8)	94	134	69	94
U.S.\$ Millions	12	13	6	(8)	100	12	6	100
Margin (%)	11.4	11.5	5.6			11.4	5.6	
EBITDA								
Ps. Millions	315	351	310	(10)	2	315	310	2
U.S.\$ Millions	29	32	27	(9)	7	29	27	7
Margin (%)	27.8	28.5	25.4			27.8	25.4	

When compared to the previous quarter, our operating income decreased 8% due to lower total revenues, but when compared to the same year-ago quarter, the operating income increased 100% as a result of lower amortization charges. Our 1Q08 operating expenses were U.S. \$ 37 million, compared to the U.S. \$ 36 million and U.S. \$ 40 million of 4Q07 and 1Q07, respectively.

Our EBITDA figure decreased 9% versus the previous quarter, due to lower revenues and a slight increase in operating expenses, but grew 7% over the 1Q07 due to an increase in the participation of value added services in total revenues.

Capital Expenditures and Net Debt

Our 1Q08 capital expenditures amounted U.S. \$ 10 million. Resources were used to expand our network, provide new services to customers and increase last-mile access.

At the end of 1Q08, our net debt amounted to U.S. \$ 231 million, which compares favorably to the U.S. \$ 233 million reported at the end of the previous quarter.

On February 5, 2008, we paid the corresponding interest and principal amortization of a bank facility in the amount of U.S. \$0.6 million and U.S. \$ 3.8 million, respectively, with internally-

generated funds. As of March 31, 2007, the principal amount outstanding under this facility was U.S. \$ 31 million.

Our financial information is summarized below.

Table 21

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

	1Q08	4Q07	1Q07	YTD '08	YTD '07
Assets (U.S.\$ Millions)	612	609	643	612	643
Liabilities (U.S.\$ Millions)	361	367	426	361	426
Stockholders' Equity (U.S.\$ Millions)	251	242	217	251	217
Net Debt (U.S.\$ Millions)	(231)	(233)	(268)	(231)	(268)
Net Debt/EBITDA* (Times)	1.98	1.81	2.46	1.98	2.46
Interest Coverage (Times)	5.1	5.4	4.1	5.1	4.1

* Quarterly EBITDA Times four

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