

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

Highlights of the Quarter

We execute a business strategy focused on expanding value added services, which are more profitable than traditional long distance telecommunications. During 3Q08, we continued to advance this strategy and value added services represented 62% of total revenues, as opposed to 51% in the same year-ago quarter.

Operations

During 3Q08, revenues from value added services increased 3% on a sequential basis, and 17% when compared to the same year-ago quarter. Value added services include local telecom services, such as direct access and private lines, and Internet-related services like Virtual Private Networks (VPN), managed services and Voice over Internet Protocol (VoIP) telecom, among others. On a cumulative basis, revenues from value added services were 18% higher in the first nine months of 2008, than in the same 2007 period.

Regarding traditional long distance services, our network handled a total of 662 million minutes of use (MMOU) during 3Q08, a 5% increase over the 632 MMOU reported during the previous quarter but 23% below the same year-ago quarter. In cumulative terms, we reported 19% less MMOU during the first nine months of 2008, than in the same 2007 period. The main reason for the declining rates in MMOU was lower international traffic.

Revenues

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

Alestra-Revenues

	3Q08	2Q08	3Q07	3Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				2Q08	3Q07			
Total Revenues								
Ps. Millions	1,176	1,132	1,332	4	(12)	3,445	3,824	(10)
U.S.\$ Millions	115	109	119	6	(3)	329	339	(3)
Domestic Revenues								
Ps. Millions	1,000	958	1,043	4	(4)	2,965	2,885	3
U.S.\$ Millions	97	92	93	5	4	283	256	11
Foreign Revenues								
Ps. Millions	176	174	289	1	(39)	480	939	(49)
U.S.\$ Millions	17	17	26	-	(35)	46	83	(45)
Foreign / Total (%)	14.8	15.6	21.8			14.0	24.5	

Our 3Q08 total revenues grew 6% when compared to 2Q08 as a result of the increase in value added services already explained. Revenues decreased 3% when compared to 3Q07, mainly as a result of lower international long distance services. On a cumulative basis, revenues in the first nine months of 2008 were 3% lower than in the same period of 2007 due to the decline in traditional long distance services.

Operating Income, EBITDA and Margins

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

Alestra-Operating Income, EBITDA and Margins

	3Q08	2Q08	3Q07	3Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				2Q08	3Q07			
Operating income								
Ps. Millions	132	131	158	1	(16)	398	309	29
U.S.\$ Millions	13	13	14	-	(7)	38	27	41
Margin (%)	11.3	11.9	11.8			11.6	8.0	
EBITDA								
Ps. Millions	325	317	342	2	(5)	956	974	(2)
U.S.\$ Millions	32	30	31	4	4	91	87	5
Margin (%)	27.5	27.9	25.6			27.7	25.5	

During 3Q08, operating income was basically the same as in the previous quarter. However, when compared to the same year-ago quarter, it was 7% lower. The main reason for the decline is higher depreciation charges due to the increase in fixed assets coming from the company's capital expenditure program. On a cumulative basis, operating income during the first nine months of 2008 was substantially higher than in the same 2007 period on account of the higher quality of revenues the company has been generating, and lower non-cash charges related to the full amortization of deferred assets created in previous years.

3Q08 EBITDA increased 4% in dollars when compared to both the previous and the same year-ago quarters. The main reason for this has to do with the better revenues mix. On a cumulative basis, EBITDA increased 5% in dollar terms in the first nine months of 2008, when compared to the same period a year ago.

Capital Expenditures and Net Debt

3Q08 capital expenditures amounted to U.S. \$ 18 million, for a total cumulative amount of U.S. \$ 46 million so far in 2008. Most of the resources have been invested in expanding the offering of value added services.



Third Quarter 2008 Results

Our net debt was U.S. \$231 million at the end of 3Q08, which compares to U.S. \$225 million reported in the previous quarter. This is explained by interest accruals on our senior notes during the quarter.

Our financial information is summarized below:

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

	3Q08	2Q08	3Q07	YTD '08	YTD '07
Assets	581	625	659	581	659
Liabilities	338	357	395	338	395
Stockholders' Equity	243	268	264	243	264
Net Debt	231	225	259	231	259
Net Debt/EBITDA* (Times)	1.83	1.85	2.12	1.90	2.25
Interest Coverage (Times)	5.1	5.7	4.9	5.3	4.4

* Quarterly EBITDA Times four

Alestra

Sergio Bravo
+(5281) 86252201
sbravo@alestra.com.mx
Sergio Prado
+(5281) 86252321
spradoc@alestra.com.mx