

During 3Q09, we were able to maintain the same positive results of past quarters, which are the result of a business strategy designed to offer value added telecommunications services to enterprise customers. We reported similar revenues and EBITDA figures, on a sequential basis and when compared to 3Q08.

OPERATIONS

By continuously expanding our offering of value added services for enterprise customers, during 3Q09 our volume totaled 593 thousand EOs (equivalent of customer-access circuits providing value added services), 3% more sequentially, and 20% higher than 3Q08. As a result, we were able to report a sequential increase of 1% in revenues in pesos coming from our line of business, or 10% and 13% increases when compared to 3Q08 and on a cumulative basis. Value added services contributed with 69% to total revenues during 3Q09, which favorably compares to 67% during 2Q09 and 62% in 3Q08.

On the other hand, our network handled 541 millions of minutes of use (MMOU) of long distance traffic during 3Q09, 4% less than the previous quarter and 18% less than in 3Q08. As explained in past reports, these services have shown a declining trend since several years ago, mainly as a result of technological developments that favor other means of communications. We have been able to more than offset these negative trends, by investing in expanding our capability to offer value added services, which has translated into better financial results.

FINANCIAL RESULTS

During 3Q09 our revenues amounted to U.S. \$88 million, the same figure as in the previous quarter. However, when compared to 3Q08 and on a cumulative basis, our 3Q09 revenues show declines of 23% and 22%, respectively. Since most of our revenues are denominated in pesos, the devaluation of the peso that took place in October 2008 meant a reduction in revenues when measured in dollars. However, revenue comparisons in peso terms are much more favorable, with percentage changes of -3%, -1% and 3%, when compared to 2Q09, 3Q08 and on a cumulative basis, respectively.

Operating Income amounted to U.S. \$10 million during 3Q09, 9% lower than the one reported in 2Q09. The decline is explained by higher maintenance and payroll expenses. Regarding the comparison vis-à-vis 3Q08 and on cumulative basis, our 3Q09 operating income was 23% and 16% lower. These percentage variations were calculated using dollar figures. If peso figures are utilized, variations are more favorable, with -11%, -2%, and 10% changes, respectively.

The same trends observed when comparing Operating Income are present regarding our 3Q09 EBITDA, which amounted to U.S. \$25 million, 5% less than in 2Q09, and 21% and 15% lower than the one in 3Q08 and on a cumulative basis due to the devaluation of the peso. In peso terms, our 3Q09 EBITDA was 7% lower than 2Q09 and 2% higher than 3Q08, and 11% higher on a cumulative basis.

CAPITAL EXPENDITURES AND NET DEBT

3Q09 capital expenditures amounted to U.S. \$18 million, for a cumulative figure of U.S. \$45 million so far in 2009. Most of the resources were used to support network growth and infrastructure to provide value-added services.

During the quarter, we placed a 144a Senior unsecured bond in the amount of U.S. \$200 million, which matures in 2014, and used the related proceeds to pay down existing debt. Therefore, at the end of 3Q09, we had a net debt of U.S. \$207 million, including the above-referred-to bond and other vendor and leasing credit facilities, minus cash reserves.

(See tables 19 to 21 in the appendix for more detailed financial information on Alestra)

Table 19

ALESTRA | REVENUES

				3Q09 vs. (%)		YTD '09	YTD '08	Ch. %
	3Q09	2Q09	3Q08	2Q09	3Q08			
Total Revenues								
Ps. Millions	1,169	1,200	1,176	(3)	(1)	3,542	3,445	3
U.S. \$ Millions	88	88	115		(23)	258	329	(22)
Domestic Revenues								
Ps. Millions	1,021	1,038	1,000	(2)	2	3,110	2,965	5
U.S. \$ Millions	77	76	97	1	(21)	226	283	(20)
Foreign Revenues								
Ps. Millions	148	162	176	(9)	(16)	432	480	(10)
U.S. \$ Millions	11	12	17	(8)	(35)	32	46	(30)
Foreign / Total (%)	12.5	13.6	14.8			12.4	14.0	

Table 20

ALESTRA | OPERATING INCOME, EBITDA AND MARGINS

				3Q09 vs. (%)		YTD '09	YTD '08	Ch. %
	3Q09	2Q09	3Q08	2Q09	3Q08			
Operating Income								
Ps. Millions	129	145	132	(11)	(2)	439	398	10
U.S. \$ Millions	10	11	13	(9)	(23)	32	38	(16)
Margin (%)	11.4	12.5	11.3			12.4	11.6	
EBITDA								
Ps. Millions	332	357	325	(7)	2	1,065	956	11
U.S. \$ Millions	25	26	32	(5)	(21)	77	91	(15)
Margin (%)	28.4	29.8	27.5			30.0	27.7	

Table 21

ALESTRA | SELECTED BALANCE SHEET INFORMATION & FINANCIAL RATIOS (U.S. \$ MILLIONS)

	3Q09	2Q09	3Q08	YTD '09	YTD '08
Assets	503	489	581	503	581
Liabilities	333	308	338	333	338
Stockholders' Equity	170	181	243	170	243
Net Debt	207	208	231	207	231
Net Debt/EBITDA* (Times)	2.07	1.98	1.80	2.01	1.90
Interest Coverage (Times)	3.6	5.2	5.1	4.5	5.3
* Quarterly EBITDA Times Four					

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