# ALESTRA

TELECOMMUNICATIONS

Our 4Q09 financial results were slightly better than the previous quarter. We maintained a strategy designed to offer value added services (VAS) to the enterprise segment of the Mexican telecom market, which has the best potential for growth and profitability. 4Q09 EBITDA was 8% higher than 3Q09.

## OPERATIONS

During 4Q09, our volume of VAS amounted to 617 thousand E0s (equivalent of customer-access circuits), 4% more on a sequential basis, and 18% higher than the same year-ago quarter. These growth rates are an indication of the success in expanding our business through a better infrastructure and a broader services portfolio.

On the other hand, our network handled 512 millions of minutes of use (MMOU) of long distance (LD) traffic during 4Q09, 5% less than in the previous quarter and 17% less than in 4Q08. For the year as a whole, LD volume decreased 19% vis-à-vis 2008. As explained in past reports, LD traffic has shown a declining trend since several years ago, mainly as a result of technological developments that have favored other means of communications. However, we have successfully managed the transition to VAS, so that they now represent its greatest source of revenues and cash flow.

## FINANCIAL RESULTS

When measured in dollar terms, our 2009 financial results are influenced by the depreciation of the peso that took place during 4Q08. Our performance appears to be less strong than when measured in pesos, our natural currency since 70% of our revenues are based in this currency. For consistency purposes, this section includes comparisons in dollars.

During 4Q09 our revenues amounted to U.S. $87 million, only 1% lower than in 3Q09. When compared to 4Q08 and on a cumulative basis, our revenues were 10% and 19% lower. The main reason for the decline is the depreciation of the Mexican peso against the U.S dollar already mentioned. If comparisons were made in pesos, our revenues would practically be the same in the different periods under comparison. As a result of our strategy, VAS have been increasing their contribution to total revenues. In 4Q09, VAS revenues rose 5% sequentially and 4% when compared to 4Q08, and represented 73% of total revenues, which compares to 65% in 4Q08. On a cumulative basis, VAS represented 70% of total revenue in 2009, which compares to 63% in 2008.

4Q09 Operating Income amounted to U.S. $10 million, the same as in 3Q09 but 29% lower than in the same year ago period basically as a result of the peso devaluation effect already explained, and higher depreciation and amortization charges. On a cumulative basis our Operating Income amounted to U.S. $42 million, 19% lower than in 2008 for the same reason. An increase in marginal contribution due to a better revenue mix during 4Q09 led to an 8% increase in EBITDA in the period to U.S. $27 million. On a cumulative basis, as expected, 2009 EBITDA levels were lower than 2008, due to the depreciation of the peso. Indeed, when measured in pesos, 2009 EBITDA was 6% higher than in 2008.

## CAPITAL EXPENDITURES AND NET DEBT

During 4Q09, we made capital expenditures totaling U.S. $27 million, for a cumulative figure of U.S. $69 million in 2009. Resources were used to support network and infrastructure growth to provide VAS. At the end of 4Q09, we had a net debt of U.S. $207 million, the same figure as in the previous quarter. Financial ratios remained strong, with a Net Debt to EBITDA of 1.9 times, and Interest Coverage of 4.8 times.

## ALESTRA | REVENUES

| | 4Q09 | 3Q09 | 4Q08 | 4Q09 vs. (%) 3Q09 | 4Q09 vs. (%) 4Q08 | YTD '09 | YTD '08 | Ch. % |
|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | | | | | | | | |
| Ps. Millions | 1,142 | 1,169 | 1,228 | (2) | (7) | 4,684 | 4,673 | - |
| U.S. $ Millions | 87 | 88 | 97 | (1) | (10) | 345 | 425 | (19) |
| **Domestic Revenues** | | | | | | | | |
| Ps. Millions | 1,048 | 1,021 | 1,048 | 3 | - | 4,159 | 4,013 | 4 |
| U.S. $ Millions | 80 | 77 | 82 | 4 | (3) | 306 | 365 | (16) |
| **Foreign Revenues** | | | | | | | | |
| Ps. Millions | 93 | 148 | 180 | (37) | (48) | 525 | 660 | (20) |
| U.S. $ Millions | 7 | 11 | 14 | (36) | (50) | 39 | 60 | (36) |
| Foreign / Total (%) | 8.2 | 12.7 | 14.7 | | | 11.2 | 14.1 | |

## ALESTRA | OPERATING INCOME, EBITDA AND MARGINS

| | 4Q09 | 3Q09 | 4Q08 | 4Q09 vs. (%) 3Q09 | 4Q09 vs. (%) 4Q08 | YTD '09 | YTD '08 | Ch. % |
|---|---|---|---|---|---|---|---|---|
| **Operating Income** | | | | | | | | |
| Ps. Millions | 129 | 129 | 177 | - | (27) | 568 | 575 | (1) |
| U.S. $ Millions | 10 | 10 | 14 | 1 | (29) | 42 | 52 | (19) |
| Margin (%) | 11.3 | 11.1 | 14.4 | | | 12.1 | 12.2 | |
| **EBITDA** | | | | | | | | |
| Ps. Millions | 352 | 332 | 375 | 6 | (6) | 1,418 | 1,332 | 6 |
| U.S. $ Millions | 27 | 25 | 29 | 8 | (9) | 104 | 121 | (14) |
| Margin (%) | 30.9 | 28.4 | 30.5 | | | 30.2 | 28.4 | |

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

| | 4Q09 | 3Q09 | 4Q08 | YTD '09 | YTD '08 |
|---|---|---|---|---|---|
| Assets | 531 | 503 | 476 | 531 | 476 |
| Liabilities | 354 | 333 | 314 | 354 | 314 |
| Stockholders' Equity | 176 | 170 | 162 | 176 | 162 |
| Net Debt | 207 | 207 | 220 | 207 | 220 |
| Net Debt/EBITDA* (Times) | 1.92 | 2.07 | 1.87 | 1.98 | 1.83 |
| Interest Coverage (Times) | 4.8 | 4.0 | 4.4 | 5.2 | 5.0 |

* Quarterly EBITDA Times four

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