

# Alestra

## Telecommunications

### » Industry developments

Beginning January 1, 2010, Mexican Value Added Tax increased from 15% to 16%. Likewise, a new tax of 3% was applied to telecom services (with certain exceptions). Some telecom players (including us) were able to pass the impact of this tax on to consumers, so that no material negative effect was felt on results. On another front, during 1Q10 the Mexican authorities published the bid terms for auctioning the 1.7/1.9 GHz mobile spectrum segments as well as rules to auction two strands of dark fiber from the electric utility (CFE) network. These processes should be concluded during 2010 and could open the market to new concessionaires and strengthen fixed broadband competition.

### » Operations

We continued to expand our wide offer of value-added telecom services for business customers (VAS). During 1Q10, VAS totaled 649,000 EOs (equivalent of customer-access circuits providing services), 5% more on a sequential basis, and 20% higher than 1Q09. On a revenue basis, VAS grew 2% sequentially, and 13% when compared to 1Q09. As a result, they represented 75% of total quarterly revenues, compared to 73% in 4Q09 and 70% in 1Q09.

On the other hand, our long distance (LD) network handled 466 millions of minutes of use of traffic during 1Q10, 9% less than both the previous and the same year-ago quarters. These declines are the continuation of a trend that has been observed since several years ago, which we have been able to more than offset by investing in expanding our offering of VAS, which has translated into better results.

### » Financial Results

During 1Q10, our revenues amounted to U.S. \$87 million, the same level as the previous quarter but 6% higher when compared to 1Q09. As explained above, VAS revenues more than offset the decline in LD.

Operating Income amounted to U.S. \$11 million during 1Q10, 9% higher than the previous quarter. The increase has to do with the greater proportion of VAS in the total revenue mix, as they are more profitable than LD. Regarding the comparison vis-à-vis 1Q09, 1Q10 Operating Income was 6% lower due to higher depreciation charges as a result of the capital expenditures made during the past year. 1Q10 EBITDA amounted to U.S. \$27 million, the same as in 4Q09 but 4% higher than 1Q09.

### » Capital Expenditures and Net Debt

Capital expenditures amounted to U.S. \$10 million in 1Q10. Funds were used to support network growth and infrastructure to provide VAS and last-mile access circuits to customers.

At the end of 1Q10, our net debt amounted to U.S. \$207 million, unchanged from the previous quarter. Financial ratios remained strong with Net Debt to EBITDA of 1.9 times and Interest Coverage of 3.9 times.

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

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Table 19

### Revenues

	1Q10	4Q09	1Q09	(% 1Q10 vs.)	
				4Q09	1Q09
<b>Total Revenues</b>					
Ps. Millions	1,116	1,142	1,173	(2)	(5)
U.S. \$ Millions	87	87	82	-	6
<b>Long Distance Services</b>					
Ps. Millions	281	308	349	(9)	(19)
U.S. \$ Millions	22	23	24	(7)	(10)
<b>Data, Internet and Local Services</b>					
Ps. Millions	835	834	824	-	1
U.S. \$ Millions	65	64	57	2	13
Data, Internet and Local Services / Total (%)	75	73	70		

Table 20

### Operating Income, Ebitda And Margins

	1Q10	4Q09	1Q09	(% 1Q10 vs.)	
				4Q09	1Q09
<b>Operating Income</b>					
Ps. Millions	139	129	165	7	(16)
U.S. \$ Millions	11	10	11	9	(6)
Margin (%)	12.4	11.3	14.0		
<b>EBITDA</b>					
Ps. Millions	351	352	377	-	(7)
U.S. \$ Millions	27	27	26	2	4
Margin (%)	31.5	30.9	32.1		

Table 21

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

	1Q10	4Q09	1Q09
Assets	561	531	453
Liabilities	358	354	308
Stockholders' Equity	203	176	145
Net Debt	207	207	219
Net Debt/EBITDA* (Times)	1.89	1.92	2.08
Interest Coverage (Times)	3.9	3.8	5.3

\* Quarterly EBITDA Times Four

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