

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

Highlights of the Quarter

We continued to successfully execute our business strategy aimed at expanding our value added services as opposed to solely focusing on traditional long distance telecommunications. Accordingly, 2Q08 EBITDA amounted to U.S. \$ 30 million, 4% above 1Q08.

Operations

During 2Q08, our value added services continued to grow, representing 64% of total revenues. Growth was most noticeable in services like direct access, private lines and internet-related ones, such as managed services, Virtual Private Networks (VPN) and dedicated internet lines.

Regarding long distance services, our network handled a total volume of 632 million of minutes of use (MMOU) during 2Q08, a 12% decrease over the 714 MMOU reported during the previous quarter and 24% below the 827 MMOU of 2Q07. The decrease in MMOU resulted from lower international traffic.

Revenues

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

Alestra-Revenues

	2Q08	1Q08	2Q07	2Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				1Q08	2Q07			
Total Revenues								
Ps. Millions	1,132	1,137	1,271	-	(11)	2,269	2,492	(9)
U.S.\$ Millions	109	105	113	4	(4)	214	221	(3)
Domestic Revenues								
Domestic (Ps. Millions)	958	1,007	965	(5)	(1)	1,965	1,842	7
Domestic (U.S. \$ Millions)	92	93	86	(1)	7	185	163	13
Foreign Revenues								
Foreign (Ps. Millions)	174	129	306	35	(43)	304	650	(53)
Foreign (U.S. \$ Millions)	17	12	27	42	(37)	29	58	(50)
Foreign / Total (%)	15.6	11.4	23.9			13.6	26.2	

As seen above, our 2Q08 total revenues grew 4% from 1Q08 as a result of the increase in value added services already explained. Revenues decreased 4% from 2Q07, mainly as a result of lower international long distance services. On a cumulative basis, revenues in the first half of 2008 were 3% lower than in the same period of 2007 due to the decline in traditional long distance telecommunications.

Operating Income, Margins and EBITDA

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

Alestra-Operating Income, Margins and EBITDA

	2Q08	1Q08	2Q07	2Q08 vs. (%)		YTD '08	YTD '07	Ch. %
				1Q08	2Q07			
Operating income								
Ps. Millions	131	134	82	(2)	60	266	151	76
U.S. \$ Millions	13	12	7	8	86	25	13	92
Margin (%)	11.9	11.4	6.2			11.7	5.9	
EBITDA								
Ps. Millions	317	315	323	1	(2)	632	632	-
U.S. \$ Millions	30	29	29	4	5	60	56	6
Margin (%)	27.9	27.8	25.5			27.9	25.3	

Compared to the previous quarter, 2Q08 operating income increased by 8% in dollars, due to higher revenues. When compared to the same year ago quarter, operating income was 86% higher in dollars during 2Q08, mainly as a result of lower amortization charges.

2Q08 EBITDA increased 4% in dollars from the previous quarter and 5% when compared to the same year-ago quarter. This is mainly the result of having a higher proportion of value added services in terms of total revenues. On a cumulative basis, EBITDA increased 6% in the first half of 2008, from the same 2007 period due to the same reasons.

Capital Expenditures and Net Debt

2Q08 capital expenditures amounted to U.S. \$ 18 million, including a U.S. \$ 4 million investment for the development of the number portability project. Cumulative capital expenditures so far in 2008 added to U.S. \$ 28 million. Most of the resources have been invested to expand the offering of the value added services.

At the end of 2Q08, our net debt amounted to U.S. \$ 225 million, which compares favorably to the U.S. \$ 231 million reported at the end of the previous quarter.

As of June 30, 2008 our total debt amounted to U.S. \$ 260 million, which mainly consists of U.S. \$ 27 million outstanding balance related to a bank credit facility, and U.S. \$ 233 million related to the 2010 senior notes.

Our financial information is summarized below:

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

	2Q08	1Q08	2Q07	YTD '08	YTD '07
Assets	625	612	638	625	638
Liabilities	357	361	411	357	411
Stockholders' Equity	268	251	227	268	227
Net Debt	225	231	262	225	262
Net Debt/EBITDA* (Times)	1.85	1.98	2.28	1.89	2.34
Interest Coverage (Times)	5.7	5.1	4.4	5.4	4.3

* Quarterly EBITDA Times four

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