

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

Operations

During 1Q07, we continued to focus in the growth of our non-long distance value-added services, a strategy that has resulted in higher and more profitable revenues.

Our long distance revenues increased as a result of higher rates due to the implementation of the domestic and international "Long Distance Calling Party Pays" System, despite a decrease in traffic volume. Our network handled a total volume of 801 million of minutes of use (MMOU) during 1Q07, a 20% decrease over the 1,000 MMOU reported during the previous quarter and 24% lower than the 1,057 MMOU reached during the same period of 2006. The reduction in MMOU is attributable to less traffic of highly volatile, low-margin domestic long distance calls managed by resellers, and international long distance traffic.

Revenues

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

Revenues

	1Q07	4Q06	1Q06	1Q07 vs. (%)		YTD '07	YTD '06	Ch. %
				4Q06	1Q06			
Total Revenues								
Ps. Millions	1,189	1,127	1,051	5	13	1,189	1,051	13
U.S.\$ Millions	107	102	95	6	13	107	95	13
Long Distance Revenues								
Ps. Millions	585	530	524	11	12	585	524	12
U.S.\$ Millions	53	48	47	11	12	53	47	12
Data, Internet and Local Services Revenues								
Ps. Millions	603	597	528	1	14	603	528	14
U.S.\$ Millions	55	54	48	1	14	55	48	14
Total Volume (MMOU)	801	1,000	1,057	(20)	(24)	801	1,057	(24)

Our 1Q07 total revenues grew 6% in dollar terms when compared to 4Q06 and 13% vis-à-vis the same quarter of the previous year. This is due to higher international long distance revenues, both outgoing and incoming, coupled with the sustained growth of its data, internet and local services revenues. Growth of non-long distance services was particularly noticeable in internet-related and local services, reflecting the efforts made by us to become the supplier of choice of both corporate and residential customers.

Operating Income, Margins and EBITDA

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

Operating Income, Margins and EBITDA

	1Q07	4Q06	1Q06	1Q07 vs. (%)		YTD '07	YTD '06	Ch. %
				4Q06	1Q06			
Operating income								
P.s. Millions	67	37	42	81	60	67	42	60
U.S.\$ Millions	6	3	4	100	60	6	4	60
Margin (%)	5.6	3.3	4.0			5.6	4.0	
EBITDA								
P.s. Millions	301	320	291	(6)	4	301	291	4
U.S.\$ Millions	27	29	26	(6)	4	27	26	4
Margin (%)	25.3	28.4	27.6			25.3	27.6	

As compared to the previous quarter, as well as to the same year-ago quarter, our operating income increased as a result of a lower depreciation charges. Our EBITDA figure decreased versus the previous quarter, but grew 4% over the 1Q06. This increase was the result of higher revenues while operating expenses remained flat.

Capital Expenditures and Net Debt

Our capital expenditures for the 1Q07 period amounted to U.S. \$ 8 million. Resources were used to expand our network, provide new services to customers and increase last-mile access. As a result of capital expenditures and other uses, plus interest accruals on Senior Notes, our net debt increased by U.S. \$ 9 million during 1Q07 for a balance of U.S. \$ 268 million at the end of the quarter. Our financial information is summarized below:

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

	1Q07	4Q06	1Q06	YTD '07	YTD '06
Assets (U.S.\$ Millions)	643	650	710	643	710
Liabilities (U.S.\$ Millions)	426	438	490	426	490
Stockholders Equity (U.S.\$ Millions)	217	212	220	217	220
Majority Equity (U.S.\$ Millions)	217	212	220	217	220
Net Debt (U.S.\$ Millions)	268	259	300	268	300
Net Debt/EBITDA* (Times)	2.46	2.23	2.85	2.46	2.85
Interest Coverage (Times)	4.1	4.2	2.9	4.1	2.9

* Quarterly EBITDA times four