

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

Operations

During 2Q07, we continued to expand our non-long distance, value-added services. As a result, we reported higher revenues, operating income and EBITDA than in 1Q07, 2Q06 and on a cumulative basis. In addition, operating expenses decreased slightly.

Growth of non-long distance services was particularly noticeable in internet-related and local services. Our internet services increased due to the continuing growth of its Virtual Private Networks (VPN) and managed services, as well as its Voice over Internet Protocol (VoIP) service for residential customers.

Regarding long distance, our network handled a total volume of 827 million of minutes of use (MMOU) during 2Q07, a 3% increase over the 801 MMOU reported during the previous quarter, but 21% below the 1,044 MMOU of 2Q06. The decrease in MMOU vis-à-vis 2Q06 resulted from lower international incoming traffic.

Revenues

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

Alestra-Revenues

	2Q07	1Q07	2Q06	2Q07 vs. (%)		YTD '07	YTD '06	Ch. %
				1Q07	2Q06			
Total Revenues								
Ps. Millions	1,232	1,184	1,080	4	14	2,416	2,127	14
U.S.\$ Millions	113	107	93	6	22	220	188	17
Long Distance Revenues								
Ps. Millions	606	583	514	4	18	1,188	1,036	15
U.S.\$ Millions	56	53	44	5	26	109	91	19
Data, Internet and Local Services Revenues								
Ps. Millions	626	600	565	4	11	1,226	1,091	12
U.S.\$ Millions	58	55	49	5	18	112	97	16

Our 2Q07 total revenues grew 6% in dollar terms when compared to 1Q07 and 22% vis-à-vis the same quarter of the previous year as a result of the sustained growth of its data, internet and local services revenues, coupled with higher long distance revenues. The increase in long distance revenue was the result of higher rates originated by the implementation of the domestic and international “Long Distance Calling Party Pays” system.

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

	2Q07	1Q07	2Q06	2Q07 vs. (%)		YTD '07	YTD '06	Ch. %
				1Q07	2Q06			
Operating income								
Ps. Millions	80	67	47	19	70	146	89	65
U.S.\$ Millions	7	6	4	22	83	13	8	67
Margin (%)	6.5	5.6	4.4			6.1	4.2	
EBITDA								
Ps. Millions	313	300	306	4	2	612	595	3
U.S.\$ Millions	29	27	26	7	11	56	52	7
Margin (%)	25.4	25.3	28.3			25.4	28.0	

Our 2Q07 EBITDA grew by 7% and 11% sequentially and on quarter-on-quarter basis, respectively. The increase is the result of a slightly higher marginal contribution of non-long distance services, coupled with a slight reduction in operating expenses.

Capital Expenditures and Net Debt

Our 2Q07 capital expenditures amounted to U.S. \$ 15 million, for a total of U.S. \$ 22 million in the first half of 2007. Resources were used to expand its network, provide new services to customers and increase last-mile access.

At the end of 2Q07, our net debt amounted to U.S. \$ 262 million, which compares favorably to the U.S. \$ 268 million reported at the end of the previous quarter. This reduction is mainly the result of a quarterly amortization in the amount of U.S. \$ 3.8 million on a secured financing facility. On July 2, 2007, we complied with interest and principal payments due on its Senior Notes 2010 in the amounts of U.S. \$11.4 million and U.S. \$ 16.7 million, respectively.

Our financial information is summarized below:

Alestra

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



Second Quarter 2007 Results

	2Q07	1Q07	2Q06	YTD '07	YTD '06
Assets (U.S.\$ Millions)	638	643	650	638	650
Liabilities (U.S.\$ Millions)	411	426	434	411	434
Stockholders Equity (U.S.\$ Millions)	227	217	216	227	216
Majority Equity (U.S.\$ Millions)	227	217	216	227	216
Net Debt (U.S.\$ Millions)	262	268	283	262	283
Net Debt/EBITDA* (Times)	2.28	2.48	2.72	2.35	2.72
Interest Coverage (Times)	4.4	4.0	2.9	4.2	2.9

* Quarterly EBITDA times four