4Q06 Highlights

ALFA,S.A.B. de C.V.
January 30, 2007

- During 4Q06, ALFA made great progress in executing its business strategy, which aims at growing profitably through both organic capital expenditures and acquisitions in the same or closely related businesses. The most important development of the quarter was the announcement of two key acquisitions in the autoparts business, which will reinforce ALFA's global competitiveness in this field. Both transactions are in the process of being closed as of the date of this report.

- Regarding financial results, ALFA´s 4Q06 consolidated sales amounted to U.S. $ 1,765 million, 4% lower than 3Q06 but 14% higher than 4Q05. Lower sales of petrochemical products explain most of the variation. EBITDA for the quarter was U.S. $ 200 million, 1% lower than 3Q06, but 7% higher than 4Q05. Divestitures and acquisitions undertaken during the years 2005 and 2006 prevent direct comparison of these figures.

- During 4Q06, ALFA invested U.S. $182 million in capital expenditures, for a total in 2006 of U.S. $ 728 million. During 4Q06, resources were mainly applied to on-going capacity expansions in its petrochemicals, food and aluminum autoparts businesses.

- ALFA's net debt as of the end of 2006 amounted to U.S. $ 639 million. The company's financial condition remains very healthy as evidenced by a Net Debt to EBITDA ratio of 0.8 times as of the end of the year.

- 4Q06 majority net income reached U.S. $ 158 million, or Ps. 1,736 million (U.S. $ 0.28 or Ps. 3.09 per share), reflecting the company's operating and financial performance. 2006 Majority net income was U.S. $ 465 million or Ps. 5,184 million.

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Non-Audited financial information. Figures in this release are stated either in December 31, 2006 pesos (Ps.) or in US dollars, as indicated. Where applicable, peso amounts were translated into dollars using the average exchange rate of the months during which operations were transacted. Comparisons in pesos are in real terms, that is, adjusted for inflation. Financial ratios are calculated in dollars. Due to the rounding up to million pesos or dollars, small differences may occur in calculating percent changes from one period to the other.

Consolidated Results

Operations

During 4Q06, ALFA's subsidiaries showed mixed performances based on the relative strength of the markets they serve and their efforts to capture a higher share of them. A summarized explanation of the main operational trends follows:

- Alpek, the petrochemical business, reported a decrease in sales volume of raw materials for polyester and polyester products during 4Q06 due to both reduced production at the Altamira PTA plant in preparation for the interconnection of the new line coming on stream during 1Q07, and reduced demand from fibers customers due to strong competition from Asian producers.
- Alpek reported lower margins resulting from cost pressures due to unusual price environment experienced by raw material paraxylene and its effect in North American cost competitiveness vis-a-vis Asia. Likewise, a temporary imbalance between supply and demand created higher benzene prices, which also affected profits in the Plastics and Chemicals business segment.
- To mitigate this negative impact, Alpek successfully implemented several actions aimed at reducing costs and expenses, particularly those related to the consumption of energy. In addition to these initiatives, the Plastics and Chemicals business segment achieved strong sales during 2006, supported in part with additional production from the new EPS plant, which also helped Alpek´s results during the year.
- Sigma, the refrigerated food subsidiary, achieved strong results during 4Q06 based on strong sales levels and better average pricing due to a richer product mix. Sigma implemented several actions both during the quarter and the year 2006 to reinforce current operations of its various business segments, including launching new products and presentations, strengthening of the distribution network, increasing production capacity and acquiring more franchises in Central America for the Yoplait brand. Sigma increased overall sales volume by 10% in 2006 as compared to 2005.
- Sigma's efforts outside Mexico have also been successful, as demonstrated by a 60% increase in sales in the U.S. Hispanic market during 2006, and the fact that its products are sold in more than 6,000 stores already, in selected cities within the U.S.A.
- During 4Q06, Sigma faced some cost pressures, as the price of some its key ingredients increased as a result of both seasonal factors and general upward trends in commodity prices. Nevertheless, through higher average pricing and a reduction in operating expenses, the company was able to report better profits.
- Nemak, the aluminum auto parts company, reported a good quarter during 4Q06, with slightly higher EBITDA than in 3Q06 despite a reduction in sales volume. The company has been successful in taking advantage of industry trends to reinforce its competitive position. Those trends have to do with the technological requirements of its products, in which Nemak excels due to its strong R&D capabilities, the growing use of aluminum instead of cast iron in automobile parts to gain fuel efficiency, and increased outsourcing by the OEMs due to cost pressures.
- During 4Q06, Nemak bid and won a number of new contracts which set the basis for its future growth. Even more important is the fact that some of these new contracts allow for Nemak's market and customer diversification, which helps to reduce dependence on the North American market.
- Alestra, the telecom subsidiary, successfully executed its business strategy during 4Q06, which calls for greater focus on promoting value added services as opposed to traditional long distance. While traffic was slightly lower than the preceding quarter, it was more profitable. Thus, revenues and cash flow generation were stronger. In 2006, 64% of the company's EBITDA already came from value added services such as data transmission, Internet and local service. The growth in this kind of services is more than offsetting declining revenue in voice long distance.
- During 4Q06, Alestra continued to reinforce its financial condition with the repayment of debt under its Senior Notes due 2010 using internally generated resources.

Volume and Price trends:

The following Table sets forth ALFA sales volume and price trends for the relevant periods, which resulted from the performance of each of its subsidiaries, as explained above.

Table 1

Alfa

Volume and Price Changes (%)

	4Q06 vs.		YTD'06 vs.
	3Q06	4Q05	YTD'05
Total volume	(1.9)	10.7	5.5
Domestic volume	(0.7)	7.6	2.8
Foreign volume	(3.8)	15.8	9.7
Avg. Ps. Prices	(4.5)	0.3	3.0
Avg. US$ Prices	(1.8)	3.1	7.1

Revenues

Table 2 shows the relevant information regarding ALFA’s consolidated revenues for the periods under discussion:

Table 2

Alfa

Revenues

				4Q06 vs. (%)				
	4Q06	3Q06	4Q05	3Q06	4Q05	YTD '06	YTD '05	Ch. %
Total Revenues								
Ps. Millions	19,342	20,653	17,412	(6)	11	76,616	72,145	6
US$ Millions	1,765	1,833	1,546	(4)	14	6,858	6,214	10
Domestic Revenues								
Domestic (Ps. Millions)	10,998	11,657	10,020	(6)	10	43,119	39,932	8
Domestic (US$ Millions)	1,003	1,035	890	(3)	13	3,859	3,440	12
Foreign Revenues								
Foreign (Ps. Millions)	8,344	8,997	7,392	(7)	13	33,497	32,213	4
Foreign (US$ Millions)	761	798	656	(5)	16	2,998	2,773	8
Foreign / total (%)	43.1	43.5	42.4			43.7	44.6	

4Q06 consolidated sales in dollars decreased by 4% when compared to the previous quarter, but were 14% higher than the year-ago period. The decrease in revenues vis-a-vis 3Q06 is mainly the result of lower sales of petrochemical products, which were down due to both lower volumes and prices. While food sales increased during 4Q06, it was not enough. On a cumulative basis, ALFA’s sales were 10% up during 2006, mainly due to higher volumes and product prices.

Operating Income, Margins, EBITDA

Table 3 below shows ALFA’s operating income, margin and EBITDA. ALFA reported similar operating income figures in 4Q06 as compared to 3Q06 and 4Q05. While operating income from the petrochemical business was lower during the quarter under review, Sigma reported higher profits which were more than enough to compensate such decline. The same is applied when comparing figures to the year-ago quarter. On a cumulative basis, ALFA's operating income for 2006 is lower than in 2005, but this reduction is heavily influenced by the divestiture of businesses during the last part of 2005 and the consolidation of Alestra.

Table 3

Alfa

Operating Income, Margins and EBITDA

	4Q06	3Q06	4Q05	4Q06 vs. (%) 3Q06	4Q06 vs. (%) 4Q05	YTD '06	YTD '05	Ch. %
Operating Income								
Ps. Millions	1,461	1,514	1,513	(3)	(3)	5,895	6,818	(14)
US$ Millions	133	134	134	(1)	(1)	528	587	(10)
Margin (%)	7.6	7.3	8.7			7.7	9.4	
EBITDA								
Ps. Millions	2,196	2,281	2,110	(4)	4	8,546	9,334	(8)
US$ Millions	200	203	187	(1)	7	765	803	(5)
Margin (%)	11.4	11.1	12.1			11.2	12.9	

Operating margins were slightly better in 4Q06 than in 3Q06. However, they were lower than 4Q05 and on a cumulative basis. Margins are calculated as a function of sales and are therefore substantially influenced by the higher or lower revenues originated in volatile prices, which reflect movements in raw materials costs and impact the top line but have little to no effect on the operating income line.

It also is worth explaining that Alestra's consolidation for the full quarter had an impact on ALFA's operating margin due to its more aggressive depreciation policy, in line with industry standards. This situation does not have an effect on EBITDA calculation.

As can be seen in Table 3, ALFA reported a 1% reduction in 4Q06 EBITDA as compared to 3Q06, although 7% higher than 4Q05. On a cumulative basis, 2006 EBITDA was lower than 2005. Variations in EBITDA figures among the different periods mainly were the result of the changes in operating income.

Comprehensive Financial (Expense) / Income (CFE)

Table 4 provides the breakdown of CFE:

Table 4

Alfa

Comprehensive Financing (Expense) / Income (CFE) Ps. Millions

	4Q06	3Q06	4Q05	4Q06 vs. (%) 3Q06	4Q06 vs. (%) 4Q05	YTD '06	YTD '05	Ch. %
Financial Expenses	(423)	(510)	(355)	17	(19)	(1,653)	(1,456)	(14)
Financial Income	346	379	231	(9)	49	1,433	521	175
Net Financial Expenses	(77)	(131)	(124)	41	38	(220)	(935)	76
FX Gains (Losses)	28	(240)	(186)	157	178	142	158	49
Derivative Valuation	117	(16)		814		92		
Monetary Gains	32	59	(36)	(45)	190	125	160	(22)
Capitalized CFE	(12)	62	14	(119)	(183)	41	39	4
CFE	89	(266)	(332)	133	127	180	(578)	131
Avg. Cost of Borrowed Funds (%)	8.2	8.4	7.5			8.2	7.0	

During 4Q06, ALFA reported a positive CFE. The main reasons are: the financial gain obtained in the valuation of derivative transactions on its own shares, a reduction in financial expenses, and the appreciation of the Peso vis-a-vis the U.S. Dollar.

Majority Net Income/(Loss)

Table 5 presents information on net income for each of the relevant periods:

Table 5

Alfa

Majority Net Income / (Loss) (Ps. Millions)

				4Q06 vs. (%)				
	4Q06	3Q06	4Q05	3Q06	4Q05	YTD '06	YTD '05	Ch. %
Consolidated Net Income	1,845	1,486	808	24	128	5,686	10,115	(44)
Minority Interest	109	108	108	0	1	502	2,009	(75)
Majority Net Income	1,736	1,377	700	26	148	5,184	8,106	(36)
Per Share (pesos)	3.09	2.45	1.21	26	156	9.09	13.96	(35)
Avg. Outstanding Shares (Millions)	562	563	581			571	581	

Minority Interest corresponds to the share of ALFA's consolidated net income of the various minority partners that own portions of the equity in subsidiary companies, such as Ford in Nemak, Basell in Indelpro, BASF in Polioles and AT&T in Alestra. The minority ownership in Hylsamex was included through the month of July, 2005.

During 4Q06, ALFA reported Majority Net Income in the amount of U.S. $ 158 million, or Ps. $ 1,736 million, which equals U.S. $ 0.28, or Ps. $ 3.09 pesos per share. This is higher than the amount reported in 3Q06, reflecting lower operating expenses, positive CFE and lower taxes. Likewise, as compared to 4Q05, 4Q06 Majority Net Income is higher due to the positive CFE already explained and lower taxes charged to income. On a cumulative basis, the absence of extraordinary gains on the sale of Hylsamex in 2005 basically explains the lower Majority Net Income of 2006.

Cash Flow

The following table provides summarized information on sources and uses of funds during the relevant periods:

Table 6

Alfa

Cash Flow (US$ Millions)

				4Q06 vs. (%)				
	4Q06	3Q06	4Q05	3Q06	4Q05	YTD '06	YTD '05	Ch. %
EBITDA	200	203	187	(1)	7	765	803	(5)
Net Working Capital & others	(101)	36	102	(381)	(199)	(176)	(38)	(363)
Capital Expenditures & Acq.	(182)	(293)	(125)	38	(46)	(728)	(399)	(82)
Net Financial Expenses	(6)	(12)	(10)	50	40	(20)	(81)	75
Taxes, profit sharing	(2)	(0)	(33)		94	(60)	(112)	46
Dividends & Equity reduction	(0)	(0)	(145)		100	(121)	(155)	22
New consolidated company debt		(271)			100	(271)		
Other sources / uses	1	(23)	(23)	104	104	(109)	1,164	(109)
Changes in Net Debt	(90)	(360)	(47)	75	(91)	(721)	1,183	(161)

Capital expenditures in the amount of U.S. $ 182 million were made during 4Q06, for a total amount of U.S. $ 728 million in 2006. Capital expenditures of the quarter included disbursements to continue with the development of the various investment projects ALFA is involved in, including PET, PTA and PP expansions, new capacity at Sigma and Nemak, etc. Substantial progress was made on all these fronts during the quarter.

During 4Q06, ALFA renewed several financial derivative transactions which matured on December, 6, 2006 and comprised six million of its own shares. On such date, ALFA collected U.S. $ 1.33 per share. The new transactions mature on March 6, 2007.

ALFA entered into new financial derivatives during 4Q06, for a total of 11 million of its own shares. These new operations also give ALFA the right to collect, or the obligation to pay, cash differentials based on the market price of its shares at maturity, which will happen during November and December, 2007.

During 4Q06, ALFA repurchased 3 million of its own shares, at an average price of pesos $ 60.37 per share. The repurchased shares increased the amount of treasury stock to 39.9 million ALFA shares as of the end of the year.

As a result of the capital expenditures of the quarter, plus net working capital investments and the repurchase of shares, ALFA's net debt increased during 4Q06 by U.S. $ 90 million, for a balance at the end of the year of U.S. $ 639 million. ALFA's balance sheet and financial ratios are shown in the following table:

Table 7

Alfa

Selected Balance Sheet Information & Financial Ratios

	4Q06	3Q06	4Q05	YTD '06	YTD '05
Assets (US$ Millions)	6,844	6,654	5,911	6,844	5,911
Liabilities (US$ Millions)	3,393	3,369	2,876	3,393	2,876
Stockholders Equity (US$ Millions)	3,451	3,285	3,035	3,451	3,035
Majority Equity (US$ Millions)	3,039	2,877	2,714	3,039	2,714
Net Debt (US$ Millions)	639	549	(82)	639	(82)
Net Debt/EBITDA* (Times)	0.80	0.68	(0.11)	0.83	(0.10)
Interest Coverage (Times)	28.5	17.4	17.0	38.5	10.0

* Quarterly EBITDA times four

ALPEK: Petrochemicals & Synthetic Fibers
(48% of ALFA's 4Q06 Revenues)

Operations

a) Raw materials for polyester and polyester products (PTA, PET, polyester staple and filament – 64% of Alpek's total revenues in 4Q06):

Sales volume of raw materials and polyester products showed a decline of 7% during 4Q06 as compared to the previous quarter, due to several factors: first, lower PTA production at the Altamira plant, as works were made to prepare for the interconnection of the new production line coming on stream during 1Q07; second, lower sales to polyester fiber customers, who are facing strong competition from imports. On the other hand, PET sales were slightly higher than the previous quarter. As compared to the year-ago quarter, 4Q06 sales volume was 3% higher on stronger PET sales. On a cumulative basis, the business segment reported 2% lower sales volume in 2006 vs. 2005, due to the lower 4Q06 sales already explained.

During the year, paraxylene (Px), the main raw material for this business segment, experienced unusually high prices. The combination of lower feedstock supply due to plant outages since the hurricanes of 2005, plus the use of Px as an alternative to MTBE in the gasoline blends, created a very tight situation which drove Px prices to record-high levels and reduced the competitiveness of the North American polyester chain vis-à-vis Asia. In turn, the lower competitiveness fostered imports of polyester products into the region and affected sales and margins for PET and fibers. However, as expected, during 4Q06 Px prices came down and the above referred to effect began to dissipate, which reduced imports of PET in North America.

Regarding prices, during 4Q06 a pull back in Px prices were observed, with the corresponding reduction in product prices all along the production chain. Nevertheless, for the year as a whole, average 2006 prices were considerably higher than in 2005.

During the year, product margins were down due to higher raw material costs, which were not totally transferred to customers. To mitigate the negative impact of such circumstance, this business segment implemented a series of actions to increase raw material yields and energy efficiency, and to reduce operating expenses. Although significant savings were achieved, the business segment reported lower EBITDA during 2006, including sequentially (1%), quarter-on-quarter (15%) or year-on-year (8%).

b) Specialty Chemicals and Plastics (Expandable polystyrene (EPS), polypropylene (PP), other products – 36% of Alpek's total revenues in 4Q06):

During 4Q06, this business segment reported 1% higher sales volume as compared to 3Q06 and 11% more than in 4Q05. On a cumulative basis, sales volume in this business segment were 5% higher in 2006 than in 2005, primarily due to strong demand, which Alpek mainly met with additional production from its new EPS plant. The growth percentages are actually higher once the effect of the divestiture of the nylon business in 2005 is taken out.

Despite greater sales volume, Specialty Chemicals and Plastics was negatively affected by two temporary situations during 4Q06, which impacted profitability. First, there was an imbalance in the price of benzene between North America and Asia (benzene is used as a precursor in the raw materials needed to produce EPS and Caprolactam), which increased costs and reduced profits. Second, polypropylene margins were lower on account of a reduction in demand from customers who expected a lower price for the product. These two situations occurred at the beginning of the quarter and disappeared at the end, but affected profits.

As a result, 4Q06 EBITDA for the business segment was 23% lower than in 3Q06 and 24% lower on a cumulative basis. This last comparison is influenced by the divestiture of the nylon business already mentioned.

Revenues

Table 8 presents information on Alpek's sales volume and prices for the relevant quarters:

Tabla 8

Alpek

Changes in Volume and Prices (%)

	4Q06 vs.		YTD'06 vs.
	3Q06	4Q05	YTD'05
Total Volume	(5.4)	(6.0)	0.5
Avg. Ps. Prices	(10.8)	(1.2)	2.0
Avg. US$ Prices	(8.2)	1.6	5.9

The company's revenues are shown in Table 9. A substantial sequential reduction in revenues is observed, which basically resulted from the 7% reduction in sales volume already explained, plus lower average prices. Despite the above, quarter-on-quarter and on a cumulative basis, 2006 revenues were 8% and 6% higher than in 2005, respectively, which is a reflection of the higher Px prices that prevailed during the year and impacted product pricing all along the production chain.

Table 9

Alpek

Revenues

				4Q06 vs. (%)				
	4Q06	3Q06	4Q05	3Q06	4Q05	YTD '06	YTD '05	Ch. %
Total Revenues								
Ps. Millions	9,016	10,674	8,606	(16)	5	38,130	37,223	2
US$ Millions	823	947	764	(13)	8	3,410	3,204	6
Domestic Revenues								
Domestic (Ps. Millions)	4,651	5,626	4,711	(17)	(1)	20,136	19,217	5
Domestic (US$ Millions)	424	499	418	(15)	2	1,800	1,654	9
Foreign Revenues								
Foreign (Ps. Millions)	4,365	5,048	3,895	(14)	12	17,993	18,007	(0)
Foreign (US$ Millions)	398	448	346	(11)	15	1,610	1,550	4
Foreign / total (%)	48.4	47.3	45.3			47.2	48.4	

Operating Income, Margins, EBITDA

Alpek's 4Q06 operating income, margins and EBITDA are set forth in the following table, including a comparison among the relevant periods. As can be seen, during 4Q06 Alpek reported lower profitability figures than in the preceding quarter and on cumulative basis, due to continued margin pressure on PET and polyester fibers, and lower profits in plastics and chemicals, as already explained in the discussion of the operations by business segment. The lower level of operating profits on a cumulative basis is also influenced by the divestiture of the nylon business during 2005.

Table 10

Alpek
Operating Income, Margins and EBITDA

		4Q06	3Q06	4Q05	4Q06 vs. (%) 3Q06	4Q05	YTD '06	YTD '05	Ch. %
Operating Income									
	Ps. Millions	557	665	640	(16)	(13)	2,664	3,280	(19)
	US$ Millions	51	59	57	(14)	(11)	238	282	(16)
	Margin (%)	6.2	6.2	7.4			7.0	8.8	
EBITDA									
	Ps. Millions	802	914	897	(12)	(11)	3,651	4,481	(19)
	US$ Millions	73	81	80	(10)	(8)	327	385	(15)
	Margin (%)	8.9	8.6	10.4			9.6	12.0	

Capital Expenditures and Net Debt

Alpek invested U.S. $ 108 million during 4Q06 for a total capital expenditure of U.S. $ 319 million in 2006. As explained in past reports, Alpek is developing several expansion projects aimed to increase its production capacity. Those projects are: a PET expansion at its Cape Fear plant in North Carolina, U.S.A., a new PTA production line in Altamira, México, and a new polypropylene plant in the same site. Progress continued in all those projects during 4Q06. Completion dates are as follows: 1Q07 for the PET and PTA facilities, and 1Q08 for the polypropylene plant.

Alpek also devoted resources to a new business: exploration and production of natural gas fields in Texas, U.S.A. with a view to obtain a sort of physical hedge of ALFA´s needs for such fuel, since financial hedges render a more expensive overall cost. To this effect, Alpek joined forces with Pioneer, a U.S. company with experience in the area, and committed 20% in equity to a new joint venture. Alpek’s disbursements to this project amounted to U.S. $ 20 million in 2006.

Besides capital expenditures, Alpek invested resources in working capital needs, which led net debt to increase by U.S. $ 89 million during 4Q06. Despite this increase, the financial condition of the company remains very healthy, even more so when close to 70% of the capital expenditures for the expansion projects has already been disbursed. The following table shows Alpek´s balance sheet and financial ratios:

Table 11

Alpek
Selected Balance Sheet Information & Financial Ratios

	4Q06	3Q06	4Q05	YTD '06	YTD '05
Assets (US$ Millions)	2,578	2,585	2,322	2,578	2,322
Liabilities (US$ Millions)	1,469	1,497	1,371	1,469	1,371
Stockholders Equity (US$ Millions)	1,109	1,089	951	1,109	951
Majority Equity (US$ Millions)	916	901	783	916	783
Net Debt (US$ Millions)	476	387	300	476	300
Net Debt/EBITDA* (Times)	1.63	1.19	0.94	1.46	0.78
Interest Coverage (Times)	8.6	9.7	7.8	10.5	9.6

* Quarterly EBITDA times four

SIGMA: Refrigerated Food Products
(27% of ALFA's 4Q06 Revenues)

Operations

Sigma reported strong results during 4Q06, supported by healthy sales volumes and better average pricing.

The company continued to reinforce current operations in all product segments. To that effect, it strengthened its distribution network by opening new distribution centers in Mexico and upgrading existing ones. Likewise, the number of distribution routes was increased to expand market coverage. Sigma also supplied more small fridges to the Mom & Pop sales channel to increase sales. Finally, Sigma made use of innovative marketing and advertising campaigns.

As a result, total sales volume amounted to 169,000 tons of food products during 4Q06, just 1% short of the record-level 170,000 tons sold during the previous quarter. Strong sales of processed meats helped to offset seasonably lower sales of dairy products. As compared to the year-ago quarter, Sigma's 4Q06 sales volume was 11% higher. Cumulatively, sales volume for the year 2006 amounted to 652,000 tons, 10% higher than the 593,000 tons in 2005. The increase in sales volume quarter on quarter and year on year is the result of strong demand and the company's success in capturing market opportunities taken advantage of its competitive skills. The launching of new products and presentations, such as pizzas, beverages, desserts, etc., also helped Sigma to achieve volume growth.

Sigma's activities in Central America & the Caribbean grew during 4Q06. Among the various strategies implemented by Sigma in such markets were the expansion of its distribution network and the acquisition of the Yoplait franchise for Central America. Likewise, Sigma also began selling pizzas under the FUD brand and Café Olé in the region with great success.

Sigma increased its presence in the U.S. Hispanic market during 4Q06. The company opened five new distribution centers. Demonstrative of Sigma's success in penetrating this market, as of the end of the year its products were sold in more than 6,000 stores in those U.S. cities that the company identified as targets. Likewise, Sigma's sales in the U.S. Hispanic market grew by 60% during 2006 as compared to the previous year.

Average pricing in pesos was higher in 4Q06 than in the preceding quarter, basically as a result of price increases in cold cuts and a richer product mix. However, when compared to 4Q05 and on cumulative basis, 4Q06 average peso prices were slightly lower due to changes in product mix.

Table 12

Sigma
Volume and Price Changes (%)

	4Q06 vs.		YTD'06 vs.
	3Q06	4Q05	YTD'05
Total Tonnage Sold	(0.9)	11.4	10.0
Avg. Ps. Prices	2.0	(3.1)	(2.3)
Avg. US$ Prices	5.3	0.4	1.4

Revenues

Table 13 shows Sigma's revenues for the comparable quarters. The company reported 1% higher sales in pesos during 4Q06 on a sequential basis, and 8% higher sales than 4Q05. Sales growth is the result of the strong sales volume and better average pricing as explained above. On a cumulative basis, Sigma reported strong revenues in 2006, 7% higher than in the preceding year. It is important to point out that the revenue comparisons look much better in dollars, due to the fluctuation of the exchange rate between the Mexican Peso and the U.S. Dollar of the different periods, as shown in the table below:

Table 13

Sigma Revenues

	4Q06	3Q06	4Q05	4Q06 vs. (%) 3Q06	4Q06 vs. (%) 4Q05	YTD '06	YTD '05	Ch. %
Total Revenues								
Ps. Millions	5,204	5,133	4,822	1	8	19,975	18,592	7
US$ Millions	475	455	429	4	11	1,789	1,604	12
Domestic Revenues								
Domestic (Ps. Millions)	4,582	4,545	4,323	1	6	17,685	16,622	6
Domestic (US$ Millions)	418	403	384	4	9	1,584	1,434	10
Foreign Revenues								
Foreign (Ps. Millions)	623	587	499	6	25	2,290	1,970	16
Foreign (US$ Millions)	57	52	44	9	28	205	170	21
Foreign / total (%)	12.0	11.4	10.3			11.5	10.6	

During 4Q06, Sigma's foreign sales amounted to U.S. $ 57 million, 9% more than the U.S. $ 52 million reported in the previous quarter, and 28% higher than the U.S. $ 44 million made in 4Q05. On a cumulative basis, Sigma's foreign sales for the year 2006 amounted to U.S. $ 205 million, 21% higher than the U.S. $ 170 million generated in 2005. The increase in foreign sales is the result of the company's efforts to expand its presence, both in Central America & the Caribbean, and in the U.S. Hispanic market. As a percentage of total sales, foreign sales amounted to approximately 12% in 4Q06 and for the year as a whole.

Operating Income, Margins, EBITDA

Table 14 sets forth Sigma's operating income, margins and EBITDA for the periods under comparison. The most important factors influencing operating income during the quarter were higher raw material costs and lower operating expenses.

The price of some of the key raw materials for both processed meats and dairy products increased in response to both seasonal factors and upward trends in commodity prices. This affected variable costs during the quarter as its impact was not totally reflected in higher selling prices.

A sizeable reduction in operating expenses was reported during 4Q06, on account of two main factors: first, a change in the life of some intangible assets resulted in a credit to the income statement in the amount of U.S. $ 11 million; second, lower selling expenses, mainly marketing and promotion activities as compared to previous quarters.

Sigma's operating income is shown in the Table below. As can be seen, the company achieved substantial increases in operating income both sequentially, quarter-on-quarter or on a cumulative basis. This was the result of the successful actions taken by Sigma during 2006 to increase market coverage and sales, keep costs and expenses down and gain efficiency in distribution.

Sigma's 4Q06 EBITDA decreased by 4% in dollars as compared to the previous quarter, as some of the increase in operating income came from non-cash credits. However, on a cumulative basis, Sigma achieved a healthy 8% increase in EBITDA during 2006. In summary, Sigma continued its trend of improved financials, reporting excellent results for the year as a whole based on strong, profitable sales.

Table 14

Sigma
Operating Income, Margins and EBITDA

	4Q06	3Q06	4Q05	4Q06 vs. (%) 3Q06	4Q06 vs. (%) 4Q05	YTD '06	YTD '05	Ch. %
Operating Income								
Ps. Millions	644	519	500	24	29	2,078	1,855	12
US$ Millions	59	46	44	28	32	186	160	16
Margin (%)	12.4	10.1	10.4			10.4	10.0	
EBITDA								
Ps. Millions	663	708	664	(6)	(0)	2,634	2,523	4
US$ Millions	61	63	59	(4)	3	236	218	8
Margin (%)	12.7	13.8	13.8			13.2	13.6	

Capital Expenditures and Net Debt

During 4Q06, Sigma invested U.S. $ 44 million in capital expenditures. Resources were used to continue to expand production capacity in Mexico and abroad, and to further develop the distribution network, including new refrigerated warehouses, vehicles and the strengthening of the Mom & Pop distribution channel. Cumulative capital expenditures and acquisitions amounted to U.S. $ 207 million for the year 2006.

As a result of capital expenditures and investment in net working capital, Sigma's net debt increased by U.S. $ 40 million during 4Q06, as compared to the previous quarter. As of the end of the year, Sigma's net debt amounted to U.S. $ 293 million. Financial condition continued to be very strong, as demonstrated by financial ratios shown in the table below.

Table 15

Sigma
Selected Balance Sheet Information & Financial Ratios

	4Q06	3Q06	4Q05	YTD '06	YTD '05
Assets (US$ Millions)	1,218	1,150	1,209	1,218	1,209
Liabilities (US$ Millions)	660	639	736	660	736
Stockholders Equity (US$ Millions)	558	511	473	558	473
Majority Equity (US$ Millions)	550	503	412	550	412
Net Debt (US$ Millions)	293	253	205	293	205
Net Debt/EBITDA* (Times)	1.21	1.01	0.87	1.24	0.94
Interest Coverage (Times)	7.2	8.2	7.3	7.2	6.6

* Quarterly EBITDA times four

NEMAK: Aluminum Autoparts
(19% of ALFA's 4Q06 Revenues)

Nemak announces a major step in its business strategy

In November, the company announced having entered into two transactions which contemplate the acquisition of several production facilities in the Americas, Europe and Asia.

The first one has to do with selected plants that belong to TK Aluminum located in Mexico, the U.S.A., Brazil, Argentina, Poland and China. Under the agreement, Nemak will pay approximately U.S. $ 500 million in cash, plus an 11.5% synthetic equity participation in the combined entity. The plants generated sales of approximately U.S. $ 700 million and EBITDA of U.S. $ 100 million in 2005.

The second transaction comprises Hydro's aluminum casting European operations consisting of four plants located in Hungary, Austria, Germany and Sweden. The amount of the consideration to be paid in cash by Nemak is € 416 million. It is estimated that these facilities would generate sales in the order of € 485 million and EBITDA of € 72 million in 2006.

By entering into these transactions, Nemak will greatly enhance its presence in the European and Asian markets, diversify its customer base with the addition of clients such as BMW, Fiat, Hyundai, Nissan, Renault, Toyota and Volvo among others. Likewise, Nemak will complement its already strong portfolio of leading technologies, with access to key developments for the production of small-engine aluminum blocks and diesel-engine parts.

The price to be paid by Nemak for these acquisitions is consistent with standard industry multiples. The company believes that substantial synergies can be generated once it is able to operate all these plants under its own system.

As of the date of this report, Nemak and the selling parties continue to work in the closing of such deals. Several conditions have to be met, including authorizations from governmental bodies in the countries where the plants are located.

Operations

Despite a small reduction in sales volume, Nemak reported 4Q06 revenues and EBITDA which were slightly higher than 3Q06's due to better sales mix and exchange rate gains.

Even more important, during 4Q06, Nemak was awarded with new contracts for products to be produced in the following years. Among these contracts are: cylinder heads for Opel diesel engines and a new I5 cylinder head for Volvo diesel engines, both in Europe. Likewise, a new Peugeot cylinder head for flexible fuel (alcohol and gasoline) engines for the Brazil and Argentina markets, and a unique cylinder head for an all-terrain vehicle to be produced by Bombardier in Mexico and Austria. By obtaining these contracts, Nemak continues to set the ground for future growth while diversifying its customer base and market coverage.

On another front, as explained in past reports, the North American automotive industry continued to experience a difficult time. In particular, the Big Three have been facing overcapacity and high labor costs, which had led some of them to lose market share. In 2006, Big Three light vehicle production amounted to 9.9 million units approximately, a 7% reduction from 2005 levels. During 4Q06, the Big Three aligned inventory levels and reduced production by 14% as compared to 4Q05.

Despite this situation, Nemak has managed to show good performance based on two main factors: first, the attractive industry segment within which it operates, supported by the technological requirements of the products, the increased use of aluminum instead of cast iron, and growing outsourcing; second, its competitive advantages in terms of value-added engineering, state-of-the-art technology, product quality and lower costs.

During 4Q06, Nemak sold 3.5 million equivalent heads, 5% lower than the 3.7 million units sold in the previous quarter and 11% lower than the 3.9 million equivalent heads sold in 4Q05. For the year as a whole, Nemak's sales in 2006 amounted to 15.4 million equivalent heads, 3% lower than the 15.8 million sold in 2005. The main reason for the decline in sales volume during 2006 is the lower level of activity of its North American customers, as explained above.

Revenues

As shown in the following table, despite the reduction in sales volume of the quarter Nemak was able to report slightly higher revenues in dollars on account of a better product mix and the exchange rate between the Euro and the U.S. Dollar. Regarding Nemak's 4Q06 revenues compared to 4Q05 and on a cumulative basis, the main reason for the increase is the higher price of raw material aluminum which substantially increased during 2006 and led to higher selling prices.

Table 16

Nemak
Revenues

				4Q06 vs. (%)				
	4Q06	3Q06	4Q05	3Q06	4Q05	YTD '06	YTD '05	Ch. %
Total Revenues								
Ps. Millions	3,558	3,651	3,510	(3)	1	14,928	14,447	3
US$ Millions	325	324	311	0	4	1,336	1,243	7
Domestic Revenues								
Domestic (Ps. Millions)	560	573	602	(2)	(7)	2,511	2,608	(4)
Domestic (US$ Millions)	51	51	53	0	(4)	225	224	0
Foreign Revenues								
Foreign (Ps. Millions)	2,998	3,077	2,909	(3)	3	12,417	11,840	5
Foreign (US$ Millions)	274	273	258	0	6	1,111	1,019	9
Foreign / total (%)	84.3	84.3	82.9			83.2	82.0	
Total Volume (Million Eq. Heads)	3.5	3.7	3.9	(5)	(11)	15.4	15.8	(3)

Operating Income, Margins and EBITDA

Table 17 sets forth Nemak's operating income, margins and EBITDA for the periods under comparison. As can be noticed, 4Q06 operating income is lower than 3Q06, basically as a result of higher depreciation charges as Nemak began to depreciate recent investments in fixed assets which are coming on stream to support expected increases in production levels emanating from the contracts the company has been awarded recently.

Regarding the comparison vs. 4Q05, Nemak's operating income is down mainly on account of the lower sales volume of the quarter, higher energy costs and higher depreciation. The same explains the reduction in operating income when compared on a cumulative basis.

Table 17

Nemak
Operating Income, Margins and EBITDA

	4Q06	3Q06	4Q05	4Q06 vs. (%) 3Q06	4Q06 vs. (%) 4Q05	YTD '06	YTD '05	Ch. %
Operating Income								
Ps. Millions	230	257	286	(10)	(19)	1,071	1,222	(12)
US$ Millions	21	23	25	(8)	(16)	96	105	(9)
Margin (%)	6.5	7.1	8.1			7.2	8.4	
EBITDA								
Ps. Millions	391	388	440	1	(11)	1,625	1,780	(9)
US$ Millions	36	35	39	3	(8)	146	153	(5)
Margin (%)	11.0	10.7	12.5			10.9	12.3	

On a percentage basis, Nemak's 2006 operating margin is lower than 2005, basically as a side effect of the increase in revenues already explained, which had a neutral effect on operating income.

Since most of the reduction in 4Q06 operating income resulted from higher depreciation charges, 4Q06 EBITDA actually was higher than 3Q06. Nevertheless, it was lower than 4Q05 and on a cumulative basis due to the lower operating income of the relevant periods originated by the lower sales volume already explained.

Capital Expenditures and Net Debt

During 4Q06, Nemak invested U.S. $ 20 million in capital expenditures. The company is developing an expansion program that includes additions to its existing production facilities in Mexico, Canada and Europe to be prepared for future capacity needs originating in the new contracts it has been receiving from customers. On a cumulative basis, Nemak's capital expenditures amounted to U.S. $ 135 million during 2006.

Nemak's net debt grew by U.S. $ 15 million during 4Q06, for a balance of U.S. $ 401 million at the end of the year. The main reason for the increase is the use of funds for capital expenditures, plus net working capital investments. Despite the above, the company maintains solid financial ratios, as shown in the following table:

Table 18

Nemak
Selected Balance Sheet Information & Financial Ratios

	4Q06	3Q06	4Q05	YTD '06	YTD '05
Assets (US$ Millions)	1,251	1,204	1,119	1,251	1,119
Liabilities (US$ Millions)	711	684	671	711	671
Stockholders Equity (US$ Millions)	541	520	448	541	448
Majority Equity (US$ Millions)	541	520	448	541	448
Net Debt (US$ Millions)	401	386	325	401	325
Net Debt/EBITDA* (Times)	2.81	2.79	2.09	2.75	2.12
Interest Coverage (Times)	4.6	3.7	5.5	4.7	6.1

* Quarterly EBITDA times four

ONEXA-ALESTRA (Telecom)
(6% of ALFA's 4Q06 Revenues)

(The following discussion of results corresponds to Alestra's quarterly and cumulative financial information for the periods indicated below. However, ALFA only began to fully consolidate Alestra in August 2006. Previous to that, Alestra's results were accounted for through the equity method.)

Operations

During 4Q06, Alestra continued to execute a business strategy that favors growth in the value-added segment of the telecommunications market it serves. The execution of such strategy has resulted in higher and more profitable revenues and the strengthening of its financial position.

Alestra's network handled a total volume of 1,000 million of minutes of use (MMOU) during 4Q06, an 8% decrease over the 1,091 MMOU reported during the previous quarter and 12% lower than the 1,141 MMOU reached during the same period of 2005. However, on a cumulative basis, Alestra's network handled 4,191 MMOU in 2006, 5% higher than the 3,989 MMOU of 2005. Traditional long-distance services shrank during 2006 but were substituted with greater traffic from data, Internet and local services.

Revenues

The following table presents relevant information concerning Alestra's revenues for the periods under analysis.

Table 19

Alestra Revenues

	4Q06	3Q06	4Q05	4Q06 vs. (%) 3Q06	4Q06 vs. (%) 4Q05	YTD '06	YTD '05	Ch. %
Total Revenues								
Ps. Millions	1,116	1,141	1,137	(2)	(2)	4,371	4,236	3
U.S.$ Millions	102	102	101	0	1	392	367	7
Long Distance Revenues								
Ps. Millions	524	555	630	(6)	(17)	2,110	2,243	-6
U.S.$ Millions	48	49	56	(3)	(15)	189	195	-3
Data, Internet and Local Services Revenues								
Ps. Millions	591	585	507	1	17	2,261	1,993	13
U.S.$ Millions	54	52	45	4	19	203	173	17
Total Volume (MMOU)	1,000	1,091	1,141	(8)	(12)	4,191	3,989	5

Despite the reduction in MMOU, Alestra's 4Q06 revenues were flat in dollar terms as compared to the previous quarter. This is the result of a better sales mix since value added services represented 53% of total revenue of the quarter, a 4% increase over 3Q06 and a 19% increase over 4Q05. On a cumulative basis, Alestra's 2006 revenues were supported by a healthy increase in the same services, which grew 17% as compared to 2005. Growth of non-long distance services was particularly noticeable in Internet and local services, reflecting the efforts made by the company to become the supplier of choice for both corporate and residential customers.

Operating Income, Margins and EBITDA

Table 20 sets forth Alestra's operating income, margins and EBITDA for the periods under comparison.

Table 20

Alestra

Operating Income, Margins and EBITDA

				4Q06 vs. (%)				
	4Q06	3Q06	4Q05	3Q06	4Q05	YTD '06	YTD '05	Ch. %
Operating income								
Ps. Millions	46	56	41	(18)	12	190	165	16
U.S.$ Millions	4	5	4	(16)	14	17	14	20
Margin (%)	4.1	4.9	3.6			4.3	3.9	
EBITDA								
Ps. Millions	317	316	305	1	4	1,225	1,163	5
U.S.$ Millions	29	28	27	3	6	110	101	9
Margin (%)	28.4	27.7	26.8			28.0	27.5	

As can be seen, Alestra's operating income slightly decreased during the 4Q06, as compared to the previous quarter due to higher depreciation charges. However, as compared to the same quarter a year ago and on a cumulative basis, Alestra's operating income and EBITDA figures were much better in 2006, reflecting the higher contribution of more profitable value added services. In 2006, 64% of Alestra's EBITDA came from these services.

Capital Expenditures and Net Debt

Alestra's capital expenditures for the 4Q06 period amounted to U.S. $ 15 million, for a total of U.S. $ 43 million during 2006. The company's capital expenditure program included disbursements to expand its network, provide new services to customers and increase last-mile access.

Alestra continued to strengthen its financial condition during 4Q06, with a reduction of net debt of U.S. $ 12 million, resulting from the cash generation during this period. On December 29, 2006, Alestra paid interest in the amount of U.S. $ 12 million to holders of Senior Notes due 2010, as well as principal amortization of the same Notes in the amount of U.S. $ 6 million. Resources for these payments came from internally generated funds. As such, at the end of the year, Alestra's net debt was U.S. $ 259 million, which favorably compares to the U.S. $ 295 million reported at the end of 2005. Alestra's financial information is summarized below:

Table 21

Alestra

Selected Balance Sheet Information & Financial Ratios

	4Q06	3Q06	4Q05	YTD '06	YTD '05
Assets (U.S.$ Millions)	650	670	703	650	703
Liabilities (U.S.$ Millions)	438	449	483	438	483
Stockholders Equity (U.S.$ Millions)	212	221	220	212	220
Majority Equity (U.S.$ Millions)	212	221	220	212	220
Net Debt (U.S.$ Millions)	259	271	302	259	302
Net Debt/EBITDA* (Times)	2.23	2.41	2.77	2.36	2.99
Interest Coverage (Times)	4.2	3.3	3.0	3.3	2.7

* Quarterly EBITDA Times four

FINANCIAL INFORMATION

APPENDIX	TABLES
A	Consolidated Balance Sheet
B	Consolidated Statement of Income

Appendix A

ALFA, S.A. de C.V. and Subsidiaries
BALANCE SHEET
Millions of Mexican Pesos
of December 31, 2006 Purchasing Power

	Dec 06	Sep 06	Dec 05	(%) Dec 06 vs. Sep 06	(%) Dec 06 vs. Dec 05
Assets					
CURRENT ASSETS:					
Cash and temporary investments	11,267	12,386	16,080	(9)	(30)
Trade accounts receivable	9,453	9,952	7,729	(5)	22
Other accounts and notes receivable	2,989	2,473	1,855	21	61
Inventories	8,275	7,968	7,550	4	10
Other assets	555	229	334	142	66
Total current assets	32,539	33,008	33,548	7	31
INVESTMENT IN SHARES IN ASSOCIATES	235	205	788	*15*	*(70)*
PROPERTY, PLANT AND EQUIPMENT	38,131	38,026	29,050	*0*	*31*
DEFERRED CHARGES	3,161	3,065	2,028	*3*	*56*
OTHER ASSET	367	411	464	*(11)*	*(21)*
Total assets	74,433	74,713	65,879	*(0)*	*13*
Liabilities and Stockholders' Equity					
CURRENT LIABILITIES:					
Current portion of long-term debt	1,056	904	528	*17*	*100*
Bank loans and notes payable	807	276	879	*192*	*(8)*
Suppliers	8,565	9,107	7,922	*(6)*	*8*
Other accounts payable and accrued expenses	3,524	3,510	2,748	*0*	*28*
Total current liabilities	13,953	13,797	12,077	*1*	*16*
LONG-TERM LIABILITIES:					
Long-term debt	16,453	17,166	13,754	*(4)*	*20*
Deferred income taxes	4,970	5,200	4,809	*(4)*	*3*
Other liabilities	442	322	209	*37*	*111*
Estimated liabilities for seniority premiums and pension plans	1,079	1,346	1,206	*(20)*	*(11)*
	36,896	37,831	32,055	*(2)*	*15*
Total liabilities					
STOCKHOLDERS' EQUITY:					
Majority interest:					
Nominal capital stock	233	235	240	*(1)*	*(3)*
Restatement of capital stock	129	129	20	*0*	*545*
	362	364	260	*(1)*	*39*
Contributed capital	362	364	260	*(1)*	*39*
Earned surplus	32,691	31,947	29,983	*2*	*9*
Total majority interest	33,053	32,311	30,243	*2*	*9*
Minority interest	4,484	4,572	3,581	*(2)*	*25*
	37,537	36,883	33,824	*2*	*11*
Total stockholders' equity					
	74,433	74,713	65,879	*(0)*	*13*
Total liabilities and stockholders' equity					
Current ratio	2.33	2.39	2.78		
Debt to equity	0.98	1.03	0.95		

Appendix B

ALFA, S.A. DE C.V. and Subsidiaries
STATEMENT OF INCOME
Millions of Mexican Pesos
of December 31, 2006 Purchasing Power

	4Q06	3Q06	4Q05	YTD '06	YTD '05	4Q06 vs. (%) 3Q06	4Q06 vs. (%) 4Q05
Net sales	19,342	20,653	17,412	76,616	72,145	*(6)*	*11*
Domestic	10,998	11,657	10,020	43,119	39,932	*(6)*	*10*
Export	8,344	8,997	7,392	33,497	32,213	*(7)*	*13*
Cost of sales	(15,220)	(16,385)	(13,614)	(60,571)	(56,472)	*7*	*(12)*
Gross profit	4,122	4,268	3,797	16,045	15,673	*(3)*	*9*
Operating expenses	(2,661)	(2,755)	(2,284)	(10,150)	(8,855)	*3*	*(16)*
Operating income	1,461	1,514	1,513	5,895	6,818	*(3)*	*(3)*
Financial expense, net	(77)	(131)	(124)	(220)	(935)	*41*	*38*
Exchange income (loss), net	28	(240)	(186)	142	158	*157*	*178*
Valuation of own shares derivatives	117	(16)		92		*814*	
Gain on monetary position	32	59	(36)	125	160	*(45)*	*190*
Capitalized interest expense, net	(12)	62	14	41	39	*(119)*	*(183)*
Comprehensive financing expense, net	89	(266)	(332)	180	(578)	*133*	*127*
Special items, net	(19)	20	37	(59)	(82)	*(196)*	*(151)*
Other income, net	(24)	(3)	(2)	(16)	26	*(850)*	*(1,018)*
Income before the following provision	1,507	1,265	1,216	6,000	6,184	*19*	*24*
Provisions for:							
Income tax and asset tax	380	212	(374)	(127)	(1,648)	*79*	*202*
Employees' profit sharing	(47)	(27)	(34)	(157)	(173)	*(71)*	*(36)*
	334	185	(408)	(284)	(1,821)	*80*	*182*
Equity in income (loss) of associates	4	36	1	(30)	(0)	*(89)*	*347*
Income from continuing operations	1,845	1,486	808	5,686	4,363	*24*	*128*
Discontinued operations	-	-	-	-	5,729		
Cumulative effect of a change in accounting principle	-	-	-	-	24		
Consolidated net income	1,845	1,486	808	5,686	10,115	*24*	*128*
Minority interest:							
Continuing operations	109	109	108	502	611	*(0)*	*1*
Discontinued operations	-	-	-	-	1,395		
Cumulative effect of a change in accounting principle	-	-	-	-	4	-	-
Income (loss) corresponding to minority interest	109	109	108	502	2,010	*(0)*	*1*
Majority interest:							
Continuing operations	1,736	1,377	700	5,184	3,752	*26*	*148*
Discontinued operations	-	-	-	-	4,333		
Cumulative effect of a change in accounting principle	-	-	-	-	20	-	-
Net income (loss) corresponding to majority interest	1,736	1,377	700	5,184	8,105	*26*	*148*
EBITDA	2,196	2,281	2,110	8,546	9,334	*(4)*	*4*
Interest coverage	28.6	17.4	17.0	38.9	10.0		