

# EARNINGS REPORT

## Second Quarter 2019 (2Q19)



Monterrey, Mexico, July 17, 2019. - Axtel, S.A.B. de C.V. (BMV: AXTELCPO) ("Axtel" or "the Company"), a Mexican Information and Communications Technology company, announced today its unaudited results for the second quarter of 2019 ("2Q19").

### Axtel reports 2Q19 EBITDA of US \$57 million (Ps. 1,094 million)

#### SELECTED FINANCIAL INFORMATION

(IN MILLIONS)

|                                      | 2Q19  | 1Q19  | 2Q18  | (% ) 2Q19 vs. |      | YTD'19 | YTD'18 | YTD<br>Δ (%) |
|--------------------------------------|-------|-------|-------|---------------|------|--------|--------|--------------|
|                                      |       |       |       | 1Q19          | 2Q18 |        |        |              |
| Revenues (Ps.)                       | 3,092 | 3,147 | 3,154 | (2)           | (2)  | 6,239  | 6,203  | 1            |
| US \$                                | 162   | 164   | 163   | (1)           | (1)  | 325    | 325    | 0            |
| EBITDA (Ps.) <sup>1</sup>            | 1,094 | 1,074 | 1,147 | 2             | (5)  | 2,168  | 2,251  | (4)          |
| US \$                                | 57    | 56    | 59    | 2             | (3)  | 113    | 118    | (4)          |
| Net (loss) Income (Ps.)              | 409   | (77)  | (566) | 630           | 172  | 332    | 394    | (16)         |
| US \$                                | 22    | (4)   | (30)  | 636           | 171  | 17     | 21     | (15)         |
| CAPEX (Ps.) <sup>2</sup>             | 418   | 377   | 422   | 11            | (1)  | 795    | 564    | 41           |
| US \$                                | 22    | 20    | 22    | 11            | (1)  | 41     | 30     | 39           |
| Net Debt (US \$)                     | 764   | 795   | 994   | (4)           | (23) |        |        |              |
| Net Debt / LTM EBITDA*               | 3.4   | 3.5   | 3.3   |               |      |        |        |              |
| LTM Interest Coverage*               | 3.2   | 3.0   | 3.2   |               |      |        |        |              |
| Adjusted Revenues (Ps.) <sup>3</sup> | 3,178 | 3,323 | 3,848 | (4)           | (17) | 6,500  | 7,601  | (14)         |
| US \$                                | 166   | 173   | 199   | (4)           | (16) | 339    | 399    | (15)         |
| Adjusted EBITDA (Ps.) <sup>3</sup>   | 1,848 | 1,112 | 1,416 | 66            | 31   | 2,959  | 2,794  | 6            |
| US \$                                | 97    | 58    | 73    | 67            | 33   | 155    | 146    | 6            |

\* Times. LTM = Last twelve months. See page 6 for ratio calculation details.

1) EBITDA = Operating income + depreciation & amortization + impairment of assets.

2) Gross amount; does not include divestments.

3) Axtel's results reflect the Mass Market business as discontinued operations. ALFA, however, consolidates both continuing and discontinued operations. For a complete reconciliation of revenues and EBITDA, see tables 7 and 8.

#### 2Q19 HIGHLIGHTS

|                                  |  |
|----------------------------------|--|
| Results                          | <ul style="list-style-type: none"> <li>First semester comparable EBITDA increased 7%, in line with full-year guidance, mainly driven by a 5% increase in Enterprise segment revenues and efficiencies in costs and expenses as a result of digitalization initiatives.</li> </ul>  |
| Non-Strategic Assets Divestment  | <ul style="list-style-type: none"> <li>Successfully finalized divestment of Mass Market business.</li> <li>Net proceeds plus cash reserves were used to reduce US \$305 million of debt and other liabilities, reducing interest expenses in ~US \$31 million.</li> </ul>  |
| Data Center Alliance             | <ul style="list-style-type: none"> <li>Competitive process to monetize a majority stake of Axtel Data Centers' business continues to move forward.</li> <li>Potential proceeds will be used to continue strengthening capital structure.</li> </ul>  |
| Separation in Two Business Units | <ul style="list-style-type: none"> <li>Process of internally dividing Axtel in two specialized business units is underway.</li> <li>Functional separation expected to maximize infrastructure utilization increasing profitability.                             <ul style="list-style-type: none"> <li>Infrastructure: Own the majority of assets, including fiber network and data centers. Provide connectivity and internet to wholesale operators, including Services Business.</li> <li>Services: Continue providing managed telecom and IT solutions under the Alestra brand to more than 18,000 enterprise and government customers.</li> </ul> </li> </ul> |

## MESSAGE FROM AXTEL'S CEO

*“Axtel reported positive results in the second quarter 2019, highlighted by the 5% growth in both enterprise segment revenues and recurrent EBITDA, compared to 2018. Despite a decline in government segment revenues resulting from the reduction in federal government spending, EBITDA increased 7% during the first semester as a result of efficiencies in costs and expenses from automation and digital innovation initiatives. We maintain our guidance for 2019 considering a better outlook for the government segment, resilience in the performance of the enterprise segment and continuity in our digital innovation initiatives.*

*During this quarter, we successfully concluded the divestment of the mass market segment, with the sale of close to 55 thousand residential and micro-business customers to Megacable. Net proceeds obtained from the total divestment plus cash reserves were used to reduce US \$305 million in debt and other liabilities, decreasing interest expense by approximately US \$31 million, in addition to US \$25 million dollars in Capex savings allocated annually to this segment.*

*We continue delivering in our commitment to focus completely on core enterprise, wholesale and government segments, and to divest non-strategic assets or businesses to improve our capital structure. Consistent with industry trends and our goal of maximizing value for our shareholders, the process of finding a strategic partner for our data centers in Queretaro and Apodaca is moving forward. We are convinced that the interest of numerous investors and favorable prospects for this business will contribute to close this transaction in the second half of the year.*

*Likewise, we made significant progress in the definition of organizational structures, processes, assets and customers for the functional separation of Axtel's operations into two business units. The service unit will continue focused on providing value-added telecommunications and IT solutions to the enterprise and government segments through the Alestra brand, while the infrastructure unit will offer connectivity and internet solutions to operators and wholesale customers. With this separation, we should generate higher revenues, increase profitability and contribute to continue improving our capital structure through greater cashflow generation. Our objective of maximizing value for customers, shareholders, the organization and the community, is firmly aligned with the strategic projects we are working on, some of which we have successfully concluded.”*

Rolando Zubirán

## TOTAL REVENUES

Total revenues were US \$162 million in 2Q19, down 1% when compared to 2Q18. In pesos, revenues decreased 2%, mainly due to a 30% decrease in the government segment, partially mitigated by a 5% increase in the enterprise segment (see table 1).

### ENTERPRISE SEGMENT (82% of Axtel's LTM revenues)

Enterprise segment revenues totaled US \$138 million in 2Q19, 7% higher than the year-earlier quarter. In pesos, revenues reached Ps. 2,645 million, up 5% mostly due to an improvement in Telecom managed network revenues. Recurrent revenues increased 2% and non-recurrent revenues posted a strong increase due to equipment sales (see table 2).

**TELECOM** revenues reached Ps. 2,318 million in 2Q19, a 5% increase year-over-year, mainly due to a 15% increase in *managed networks* explained by strong increases in managed services and Ethernet solutions related to services provided in connection with the Mass Market divestment and also to a 4% increase in *data and internet* revenues. These increases were softened by a 8% decrease in *voice* revenues, due to secular declines in fix-to-mobile and long distance revenues.

**IT** revenues reached Ps. 328 million in 2Q19, up 5% when compared to 2Q18, mainly due to a 30% increase in *system integration* solutions and a 21% growth in *security* services.

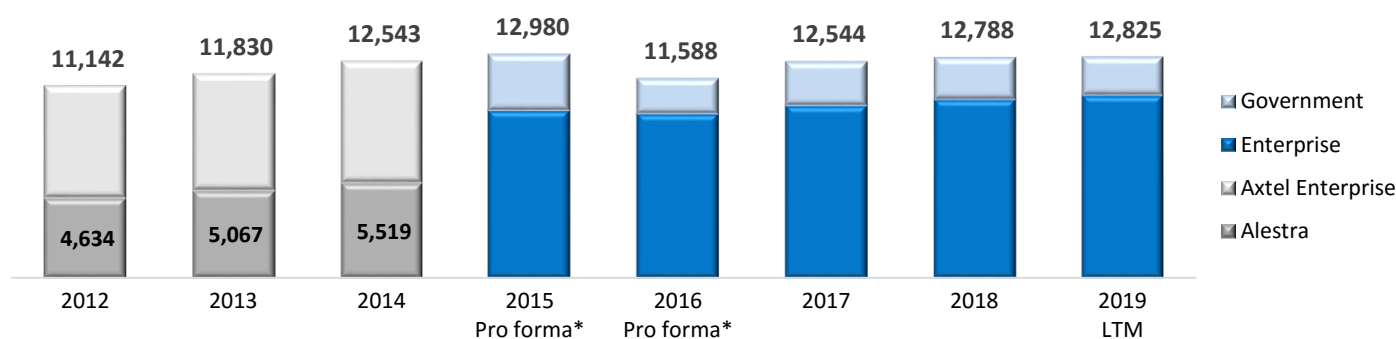
### GOVERNMENT SEGMENT (18% of Axtel's LTM revenues)

Government segment revenues amounted US \$23 million in 2Q19, down 29% when compared to 2Q18. In pesos, revenues totaled Ps. 446 million, down 30% resulting from the transition of a new administration. Recurrent revenues decreased 15%, while non recurrent revenues declined 98% (see table 3).

**TELECOM** revenues reached Ps. 234 million in 2Q19, a 20% decrease compared to 2Q18, due to declines across all services: *voice, data and internet* and *managed networks*, associated to a slowdown in new contracts and renewals.

**IT** revenues reached Ps. 212 million in 2Q19, down 39% when compared to 2Q18. This decline is associated to strong decreases in *security* and *system integration* services revenues, recorded as non-recurrent revenues in the 2Q18.

## EVOLUTION (IN MILLION PS.)



\* Pro forma figures include both Axtel and Alestra results as of the beginning of each year.

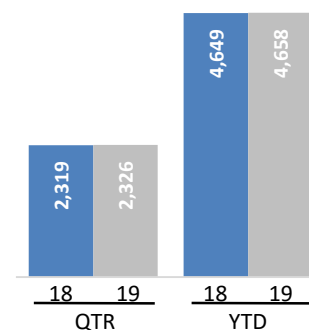
## GROSS PROFIT

Gross profit is defined as revenues minus cost of revenues. For 2Q19, gross profit was US \$122 million, 2% higher compared to 2Q18.

In pesos, gross profit totaled Ps. 2,326 million, flat versus 2Q18, as positive performance from the enterprise segment was mitigated by a decline in government segment revenues.

Gross profit margins increased 171 basis points, from 73.5% in 2Q18 to 75.2% in 2Q19, mainly due to higher government segment margins associated to a lower proportion of low-margin non-recurrent revenues.

(in Million Ps.)

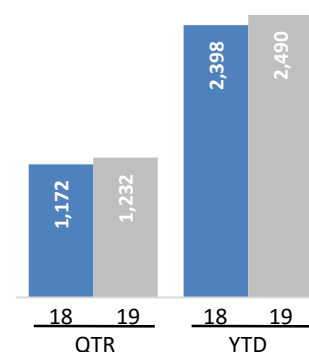


## OPERATING AND OTHER EXPENSES

Total expenses reached US \$64 million in the 2Q19, a 6% increase compared to 2Q18.

In pesos, total expenses reached Ps. 1,232 million, 5% higher compared to 2Q18, mainly due to a Ps. 100 million (US\$ 5 million) benefit from the tower sale in 2Q18. Adjusting for this one-time event, operating expenses in 2Q19 decreased 3%, due to efficiencies in personnel and maintenance expenses that are partially offsetting the effect of inflation and a Ps. 67 million benefit from the new accounting standard for long term leases (IFRS16).

(in Million Ps.)

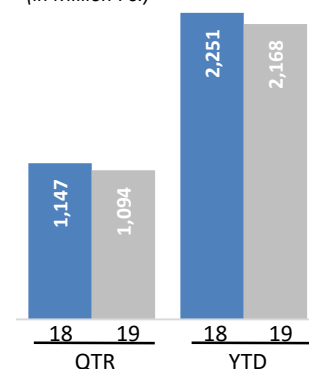


## EBITDA

EBITDA totaled US \$57 million in 2Q19, down 3% when compared to US \$59 million in 2Q18. As previously mentioned, EBITDA for 2Q18 includes a US \$5 million one-time gain from the tower sale, adjusting for this item, EBITDA increased 6% year-over-year.

In pesos, EBITDA reached Ps. 1,094 million, a 5% increase year-over-year, adjusting for the tower sale gain in 2018 (see table 4).

(in Million Ps.)

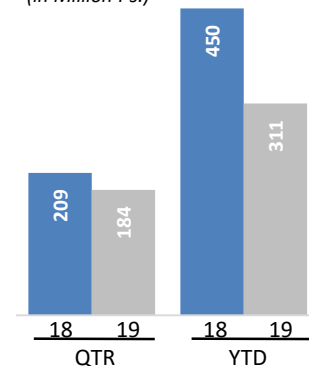


## OPERATING INCOME

In the 2Q19, operating income totaled US \$10 million, 8% lower than the same quarter of last year.

In pesos, 2Q19 operating income totaled Ps. 184 million, a 12% decrease compared to 2Q18, mainly due to the one-time benefit from the tower sale in 2Q18.

(in Million Ps.)



## COMPREHENSIVE FINANCING RESULT

The comprehensive financing cost reached US \$17 million in 2Q19. In pesos, financing cost for 2Q19 totaled Ps. 333 million, a 54% reduction compared to 2Q18, mostly explained by a Ps. 21 million FX gain during 2Q19 resulting from a 1% appreciation of the Mexican peso against the US dollar; compared to a Ps. 264 million FX loss in 2Q18 associated to an 8% depreciation of the Mexican peso. Net interest expenses declined 24% from 2Q19 to 2Q18 mainly due to partial prepayments of the Syndicated Bank Facility for Ps. 4,350 million in December 2018 and Ps. 550 million in May 2019 (see table 5).

## NET DEBT

At the end of the second quarter 2019, net debt was US \$764 million, down 23% or US \$231 million, in comparison with 2Q18, comprised of a US \$247 million decrease in debt, a US \$10 million non-cash increase in debt caused by a 4% appreciation of the Mexican peso year-over-year and a US \$7 million decrease in cash.

Total debt reduction of US \$247 million year-over-year is explained by (i) a US \$236 million decrease related to the partial prepayments of the Syndicated Bank facility; (ii) an US \$11 million decrease in a long term bank facility; (iii) a US \$29 million decrease in other loans and financial leases; (iv) a US \$1 million decrease in accrued interests; and (v) a US \$31 million increase related to the new accounting standard for long term leases (IFRS16).

As of the end of the 2Q19, the cash balance totaled US \$43 million or Ps. 820 million, compared to US \$49 million or Ps. 979 million a year ago. The cash balance at the end of the 2Q19 includes US \$5 million restricted cash.

Financial ratios at the close of 2Q19 were: Net Debt to EBITDA of 3.4 times and Interest Coverage of 3.2 times (see table 6).

## CAPITAL EXPENDITURES (CAPEX)

Capital investments totaled US \$22 million in the 2Q19, a 1% decline compared to 2Q18. Most of investments were in infrastructure to provide enterprise customers with last mile access solutions (fiber optic and radio) and managed equipment; as well as to expand the capacity of Axtel's Telecom services' network.

## OTHER INFORMATION

- The report presents unaudited financial information based on International Financial Reporting Standards (IFRS). Figures are presented in Mexican Pesos (Ps.) or US Dollars (US \$), as indicated. Where applicable, Peso amounts were translated into US Dollars using the average exchange rate of the months during which the operations were recorded.
- This report may contain forward-looking information based on numerous variables and assumptions that are inherently uncertain. They involve judgments with respect to, among other things, future economic, competitive and financial market conditions and future business decisions, all of which are difficult or impossible to predict accurately. Accordingly, results could vary from those set forth in this release.
- Net Debt / EBITDA ratio: means net debt translated into US Dollars using the end-of-period exchange rate divided by LTM EBITDA translated into US Dollars using the average exchange rate for each month during which the operations were recorded. Net debt means total debt (including accrued interests) minus cash (including restricted cash).
- Interest coverage ratio: means the ratio of LTM EBITDA to interest expense (net of interest income), both translated into US Dollars using the average exchange rate for each month during which the operations were recorded. Interest expense calculated pro forma for debt prepayments.
- To reduce exposure to exchange rate risk, Axtel maintains exchange rate forward transactions for an outstanding amount of US \$39 million as of 2Q19, at an average exchange rate of 19.84 MXN/USD, where Axtel buys USD and sells MXN. These FX FWD transactions hedge the 2024 Senior Notes' coupon payment due November 2019 and partial, USD-denominated Capex requirements up to December 2019. Additionally, Axtel maintains an interest rate swap ("IRS") for Ps. 3,380 million, maturing in December 2022, where Axtel pays 8.355% and receives TIE28d.
- Subject to market conditions, the Company's liquidity position and its contractual obligations, from time to time, the Company may acquire or divest its own shares and/or its Senior Notes, as well as enter into or unwind financial instruments whose underlying is related to the performance of its shares.

## ABOUT AXTEL

Axtel is a Mexican Information and Communication Technology Company that serves the enterprise and government segments with a robust portfolio of IT and Telecommunications solutions through its brand Alestra. With a network infrastructure of over 40 thousand kilometers of fiber and more than 6,700 square meters of data center, Axtel enables organizations to be more productive through innovation.

As of February 15, 2016, Axtel is a subsidiary of Alfa, which owns 52.8% of its equity.

Axtel shares, represented by Ordinary Participation Certificates, or CPOs, trade on the Mexican Stock Market under the symbol "AXTELCPO" since 2005.

Axtel's Investor Relations Center: [axtelcorp.mx](http://axtelcorp.mx)

Enterprise and Government services website: [alestra.mx](http://alestra.mx)

## Appendix A – Tables

**TABLE 1 | REVENUES BY SEGMENT**  
(IN MILLIONS)

|                            | 2Q19         | 1Q19         | 2Q18         | (% ) 2Q19 vs. |             | YTD'19       | YTD'18       | YTD<br>Δ (%) |
|----------------------------|--------------|--------------|--------------|---------------|-------------|--------------|--------------|--------------|
|                            |              |              |              | 1Q19          | 2Q18        |              |              |              |
| <b>ENTERPRISE (Ps.)</b>    | <b>2,645</b> | <b>2,626</b> | <b>2,513</b> | <b>1</b>      | <b>5</b>    | <b>5,272</b> | <b>5,033</b> | <b>5</b>     |
| <i>US \$</i>               | 138          | 137          | 130          | 1             | 7           | 275          | 264          | 4            |
| <b>GOVERNMENT (Ps.)</b>    | <b>446</b>   | <b>521</b>   | <b>641</b>   | <b>(14)</b>   | <b>(30)</b> | <b>967</b>   | <b>1,170</b> | <b>(17)</b>  |
| <i>US \$</i>               | 23           | 27           | 33           | (14)          | (29)        | 50           | 61           | (18)         |
| <b>TOTAL (Ps.)</b>         | <b>3,092</b> | <b>3,147</b> | <b>3,154</b> | <b>(2)</b>    | <b>(2)</b>  | <b>6,239</b> | <b>6,203</b> | <b>1</b>     |
| <i>US \$</i>               | 162          | 164          | 163          | (1)           | (1)         | 325          | 325          | 0            |
| <i>Recurrent (Ps.)</i>     | 2,961        | 3,019        | 2,981        | (2)           | (1)         | 5,980        | 5,937        | 1            |
| <i>Non recurrent (Ps.)</i> | 131          | 128          | 173          | 2             | (24)        | 259          | 266          | (3)          |

**TABLE 2 | ENTERPRISE SEGMENT REVENUES**  
(IN MILLIONS)

|                               | 2Q19         | 1Q19         | 2Q18         | (% ) 2Q19 vs. |          | YTD'19       | YTD'18       | YTD<br>Δ (%) |
|-------------------------------|--------------|--------------|--------------|---------------|----------|--------------|--------------|--------------|
|                               |              |              |              | 1Q19          | 2Q18     |              |              |              |
| <b>TELECOM (Ps.)</b>          | <b>2,318</b> | <b>2,297</b> | <b>2,202</b> | <b>1</b>      | <b>5</b> | <b>4,614</b> | <b>4,436</b> | <b>4</b>     |
| <i>Voice</i>                  | 488          | 431          | 532          | 13            | (8)      | 919          | 1,046        | (12)         |
| <i>Data and Internet</i>      | 904          | 892          | 868          | 1             | 4        | 1,797        | 1,729        | 4            |
| <i>Managed Networks</i>       | 925          | 974          | 802          | (5)           | 15       | 1,899        | 1,660        | 14           |
| <b>IT (Ps.)</b>               | <b>328</b>   | <b>330</b>   | <b>311</b>   | <b>(1)</b>    | <b>5</b> | <b>657</b>   | <b>597</b>   | <b>10</b>    |
| <b>TOTAL ENTERPRISE (Ps.)</b> | <b>2,645</b> | <b>2,626</b> | <b>2,513</b> | <b>1</b>      | <b>5</b> | <b>5,272</b> | <b>5,033</b> | <b>5</b>     |
| <i>US \$</i>                  | 138          | 137          | 130          | 1             | 7        | 275          | 264          | 4            |
| <i>Recurrent (Ps.)</i>        | 2,516        | 2,499        | 2,458        | 1             | 2        | 5,016        | 4,939        | 2            |
| <i>Non recurrent (Ps.)</i>    | 129          | 127          | 55           | 1             | 135      | 256          | 94           | 173          |

**TABLE 3 | GOVERNMENT SEGMENT REVENUES**  
(IN MILLIONS)

|                               | 2Q19       | 1Q19       | 2Q18       | (% ) 2Q19 vs. |             | YTD'19     | YTD'18       | YTD<br>Δ (%) |
|-------------------------------|------------|------------|------------|---------------|-------------|------------|--------------|--------------|
|                               |            |            |            | 1Q19          | 2Q18        |            |              |              |
| <b>TELECOM (Ps.)</b>          | <b>234</b> | <b>298</b> | <b>293</b> | <b>(21)</b>   | <b>(20)</b> | <b>533</b> | <b>530</b>   | <b>0</b>     |
| <i>Voice</i>                  | 24         | 30         | 39         | (18)          | (37)        | 54         | 77           | (29)         |
| <i>Data and Internet</i>      | 49         | 79         | 77         | (39)          | (37)        | 128        | 134          | (5)          |
| <i>Managed Networks</i>       | 161        | 189        | 177        | (15)          | (9)         | 351        | 320          | 10           |
| <b>IT (Ps.)</b>               | <b>212</b> | <b>222</b> | <b>348</b> | <b>(5)</b>    | <b>(39)</b> | <b>435</b> | <b>639</b>   | <b>(32)</b>  |
| <b>TOTAL GOVERNMENT (Ps.)</b> | <b>446</b> | <b>521</b> | <b>641</b> | <b>(14)</b>   | <b>(30)</b> | <b>967</b> | <b>1,170</b> | <b>(17)</b>  |
| <i>US \$</i>                  | 23         | 27         | 33         | (14)          | (29)        | 50         | 61           | (18)         |
| <i>Recurrent (Ps.)</i>        | 444        | 520        | 523        | (15)          | (15)        | 964        | 998          | (3)          |
| <i>Non recurrent (Ps.)</i>    | 2          | 1          | 118        | 272           | (98)        | 3          | 172          | (98)         |

## Appendix A – Tables

**TABLE 4 | OPERATING INCOME AND EBITDA**  
(IN MILLIONS)

|                         | 2Q19  | 1Q19  | 2Q18  | (% ) 2Q19 vs. |      | YTD'19 | YTD'18 | YTD<br>Δ (%) |
|-------------------------|-------|-------|-------|---------------|------|--------|--------|--------------|
|                         |       |       |       | 1Q19          | 2Q18 |        |        |              |
| Operating Income (Ps.)  | 184   | 127   | 209   | 46            | (12) | 311    | 450    | (31)         |
| US \$                   | 10    | 7     | 10    | 46            | (8)  | 16     | 23     | (31)         |
| EBITDA (Ps.)            | 1,094 | 1,074 | 1,147 | 2             | (5)  | 2,168  | 2,251  | (4)          |
| US \$                   | 57    | 56    | 59    | 2             | (3)  | 113    | 118    | (4)          |
| Adjustments* (Ps.)      | 0     | 0     | (100) | --            | --   | 0      | (225)  | --           |
| US \$                   | 0     | 0     | (5)   | --            | --   | 0      | (12)   | --           |
| Comparable EBITDA (Ps.) | 1,094 | 1,074 | 1,046 | 2             | 5    | 2,168  | 2,026  | 7            |
| US \$                   | 57    | 56    | 54    | 2             | 6    | 113    | 106    | 6            |

\* Adjustments include one-time (gains) losses, such as the tower sale.

**TABLE 5 | COMPREHENSIVE FINANCING RESULT**  
(IN MILLIONS)

|                            | 2Q19         | 1Q19         | 2Q18         | (% ) 2Q19 vs. |           | YTD'19       | YTD'18       | YTD<br>Δ (%) |
|----------------------------|--------------|--------------|--------------|---------------|-----------|--------------|--------------|--------------|
|                            |              |              |              | 1Q19          | 2Q18      |              |              |              |
| Net interest expense       | (352)        | (366)        | (461)        | 4             | 24        | (718)        | (866)        | 17           |
| FX gain (loss), net        | 21           | 159          | (264)        | (87)          | 108       | 180          | 678          | (73)         |
| Ch. FV of Fin. Instruments | (2)          | (30)         | (6)          | 92            | 56        | (32)         | 8            | (509)        |
| <b>Total (Ps.)</b>         | <b>(333)</b> | <b>(236)</b> | <b>(731)</b> | <b>(41)</b>   | <b>54</b> | <b>(570)</b> | <b>(180)</b> | <b>(217)</b> |
| US \$                      | (17)         | (12)         | (38)         | (41)          | 55        | (30)         | (9)          | (217)        |

**TABLE 6 | NET DEBT AND FINANCIAL RATIOS**  
(US \$ MILLIONS)

|                          | 2Q19       | 1Q19       | 2Q18         | (% ) 2Q19 vs. |             |
|--------------------------|------------|------------|--------------|---------------|-------------|
|                          |            |            |              | 1Q19          | 2Q18        |
| Senior Notes 2024        | 500        | 500        | 500          | 0             | 0           |
| Syndicated bank facility | 69         | 96         | 302          | (29)          | (77)        |
| Long-term bank loan      | 170        | 168        | 176          | 1             | (3)         |
| Other loans + leases     | 61         | 66         | 59           | (7)           | 4           |
| Accrued interests        | 6          | 14         | 7            | (57)          | (14)        |
| <b>Total Debt</b>        | <b>807</b> | <b>845</b> | <b>1,044</b> | <b>(5)</b>    | <b>(23)</b> |
| % US \$ denominated debt | 64%        | 62%        | 67%          |               |             |
| (-) Cash and cash eq.    | (43)       | (50)       | (49)         | 15            | 13          |
| <b>Net Debt</b>          | <b>764</b> | <b>795</b> | <b>994</b>   | <b>(4)</b>    | <b>(23)</b> |
| Net Debt / LTM EBITDA*   | 3.4        | 3.5        | 3.3          |               |             |
| LTM Interest Coverage*   | 3.2        | 3.0        | 3.2          |               |             |

\* Times. LTM = Last twelve months. See page 6 for calculation details.



## Appendix B – Discontinued Operations | Mass Market Segment

Axtel's results reflect the Mass Market business as discontinued operations. ALFA, however, consolidates both continuing and discontinued operations, as follows:

**TABLE 7 | DISCONTINUED OPERATIONS – REVENUE RECONCILIATION**  
(IN MILLIONS)

|  | 2Q19         | 1Q19         | 2Q18         | (% 2Q19 vs.) |             | YTD'19       | YTD'18       | YTD<br>Δ (%) |
|--|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
|  |              |              |              | 1Q19         | 2Q18        |              |              |              |
| Revenues                                   | 3,092        | 3,147        | 3,154        | (2)          | (2)         | 6,239        | 6,203        | 1            |
| Revenues from Disc. Op.                    | 86           | 176          | 694          | (51)         | (88)        | 262          | 1,399        | (81)         |
| <b>Adjusted Revenues (Ps.)<sup>1</sup></b> | <b>3,178</b> | <b>3,323</b> | <b>3,848</b> | <b>(4)</b>   | <b>(17)</b> | <b>6,500</b> | <b>7,601</b> | <b>(14)</b>  |
| <i>US \$</i>                               | 166          | 173          | 199          | (4)          | (16)        | 339          | 399          | (15)         |

1) As consolidated by ALFA.

**TABLE 8 | DISCONTINUED OPERATIONS – EBITDA RECONCILIATION**  
(IN MILLIONS)

|  | 2Q19         | 1Q19         | 2Q18         | (% 2Q19 vs.) |             | YTD'19       | YTD'18       | YTD<br>Δ (%) |
|--|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
|  |              |              |              | 1Q19         | 2Q18        |              |              |              |
| EBITDA (Ps.)                             | 1,094        | 1,074        | 1,147        | 2            | (5)         | 2,168        | 2,251        | (4)          |
| <i>US \$</i>                             | 57           | 56           | 59           | 2            | (3)         | 113          | 118          | (4)          |
| EBITDA Discontinued Op. (Ps.)            | 754          | 37           | 269          | >1,000       | 180         | 791          | 544          | 45           |
| <i>US \$</i>                             | 39           | 2            | 14           | >1,000       | 183         | 41           | 29           | 45           |
| <b>Adjusted EBITDA (Ps.)<sup>1</sup></b> | <b>1,848</b> | <b>1,112</b> | <b>1,416</b> | <b>66</b>    | <b>31</b>   | <b>2,959</b> | <b>2,794</b> | <b>6</b>     |
| <i>US \$</i>                             | 97           | 58           | 73           | 67           | 33          | 155          | 146          | 6            |
| <b>Adjustments (Ps.)<sup>2</sup></b>     |              |              |              |              |             |              |              |              |
| Tower Sale                               | 0            | 0            | (100)        | --           | --          | 0            | (225)        | --           |
| FTTx Sale                                | (741)        | 0            | 0            | --           | --          | (741)        | 0            | --           |
| <b>Comparable Adj. EBITDA (Ps.)</b>      | <b>1,106</b> | <b>1,112</b> | <b>1,315</b> | <b>(0)</b>   | <b>(16)</b> | <b>2,218</b> | <b>2,569</b> | <b>(14)</b>  |
| <i>US \$</i>                             | 58           | 58           | 68           | (0)          | (15)        | 116          | 135          | (14)         |

1) As consolidated by ALFA.

2) Adjustments include one-time (gains) losses

## Appendix C – Financial Statements

### Axtel, S.A.B. de C.V. and Subsidiaries

#### Unaudited Consolidated Balance Sheet

(IN MILLION PESOS)

|   | 2Q19          | 1Q19          | 2Q18          | (% ) 2Q19 vs. |             |
|---|---------------|---------------|---------------|---------------|-------------|
|   |               |               |               | 1Q19          | 2Q18        |
| <b>ASSETS</b>                                 |               |               |               |               |             |
| <b>CURRENT ASSETS</b>                         |               |               |               |               |             |
| Cash and equivalents                          | 722           | 882           | 811           | (18)          | (11)        |
| Accounts receivable                           | 3,047         | 3,084         | 2,954         | (1)           | 3           |
| Related parties                               | 63            | 64            | 35            | (2)           | 82          |
| Refundable taxes and other acc. rec.          | 709           | 973           | 933           | (27)          | (24)        |
| Advances to suppliers                         | 584           | 558           | 652           | 5             | (10)        |
| Inventories                                   | 141           | 144           | 224           | (2)           | (37)        |
| Financial Instruments                         | 1             | 0             | 634           | --            | (100)       |
| Financial Instruments (ZSC)                   | 70            | 100           | 173           | (30)          | (60)        |
| Assets classified as held for sale            | 0             | 324           | 0             | --            | --          |
| <b>Total current assets</b>                   | <b>5,337</b>  | <b>6,127</b>  | <b>6,416</b>  | <b>(13)</b>   | <b>(17)</b> |
| <b>NON CURRENT ASSETS</b>                     |               |               |               |               |             |
| Restricted cash                               | 97            | 95            | 168           | 2             | (42)        |
| Property, plant and equipment, net            | 15,076        | 15,678        | 18,596        | (4)           | (19)        |
| Long-term accounts receivable                 | 0             | 0             | 17            | --            | --          |
| Intangible assets, net                        | 1,772         | 1,893         | 1,393         | (6)           | 27          |
| Deferred income taxes                         | 2,837         | 2,962         | 3,816         | (4)           | (26)        |
| Investment shares associated co.              | 295           | 295           | 157           | (0)           | 87          |
| Other assets                                  | 449           | 421           | 376           | 7             | 20          |
| <b>Total non current assets</b>               | <b>20,526</b> | <b>21,344</b> | <b>24,523</b> | <b>(4)</b>    | <b>(16)</b> |
| <b>TOTAL ASSETS</b>                           | <b>25,863</b> | <b>27,471</b> | <b>30,938</b> | <b>(6)</b>    | <b>(16)</b> |
| <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b> |               |               |               |               |             |
| <b>CURRENT LIABILITIES</b>                    |               |               |               |               |             |
| Account payable & Accrued expenses            | 3,370         | 3,429         | 3,540         | (2)           | (5)         |
| Accrued Interest                              | 121           | 281           | 145           | (57)          | (17)        |
| Short-term debt                               | 0             | 0             | 207           | --            | --          |
| Current portion of long-term debt             | 529           | 559           | 717           | (5)           | (26)        |
| Taxes payable                                 | 16            | 3             | 38            | 446           | (56)        |
| Financial Instruments                         | 25            | 100           | 54            | (75)          | (53)        |
| Deferred Revenue                              | 444           | 607           | 487           | (27)          | (9)         |
| Provisions                                    | 168           | 270           | 28            | (38)          | 504         |
| Other accounts payable                        | 1,305         | 2,764         | 2,940         | (53)          | (56)        |
| <b>Total current liabilities</b>              | <b>5,978</b>  | <b>8,012</b>  | <b>8,156</b>  | <b>(25)</b>   | <b>(27)</b> |
| <b>LONG-TERM LIABILITIES</b>                  |               |               |               |               |             |
| Long-term debt                                | 14,632        | 15,344        | 19,443        | (5)           | (25)        |
| Employee Benefits                             | 617           | 609           | 612           | 1             | 1           |
| Derivative Financial Instruments              | 82            | 36            | 0             | 126           | --          |
| Other LT liabilities                          | 704           | 1             | 3             | >1,000        | >1,000      |
| <b>Total long-term debt</b>                   | <b>16,035</b> | <b>15,991</b> | <b>20,058</b> | <b>0</b>      | <b>(20)</b> |
| <b>TOTAL LIABILITIES</b>                      | <b>22,013</b> | <b>24,003</b> | <b>28,214</b> | <b>(8)</b>    | <b>(22)</b> |
| <b>STOCKHOLDERS' EQUITY</b>                   |               |               |               |               |             |
| Capital stock                                 | 464           | 464           | 464           | 0             | (0)         |
| Additional paid-in capital                    | 0             | 0             | 160           | --            | --          |
| Reserve for repurchase of shares              | 112           | 150           | 0             | (25)          | --          |
| Cumulative earnings (losses)                  | 3,274         | 2,854         | 2,101         | 15            | 56          |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>             | <b>3,850</b>  | <b>3,468</b>  | <b>2,725</b>  | <b>11</b>     | <b>41</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>           | <b>25,863</b> | <b>27,471</b> | <b>30,938</b> | <b>(6)</b>    | <b>(16)</b> |

## Appendix C – Financial Statements

### Axtel, S.A.B. de C.V. and Subsidiaries

#### Unaudited Consolidated Income Statement

(IN MILLION PESOS)

|  | 2Q19         | 1Q19         | 2Q18         | (% ) 2Q19 vs. |             | YTD'19       | YTD'18       | YTD<br>Δ (%) |
|--|--------------|--------------|--------------|---------------|-------------|--------------|--------------|--------------|
|  |              |              |              | 1Q19          | 2Q18        |              |              |              |
| Total Revenues                           | 3,092        | 3,147        | 3,154        | (2)           | (2)         | 6,239        | 6,203        | 1            |
| Cost of sales and services               | (766)        | (815)        | (835)        | 6             | 8           | (1,581)      | (1,553)      | (2)          |
| <b>Gross Profit</b>                      | <b>2,326</b> | <b>2,332</b> | <b>2,319</b> | <b>(0)</b>    | <b>0</b>    | <b>4,658</b> | <b>4,649</b> | <b>0</b>     |
| Operating expenses                       | (1,232)      | (1,256)      | (1,268)      | 2             | 3           | (2,488)      | (2,616)      | 5            |
| Other income (expenses), net             | 0            | (2)          | 95           | 121           | (100)       | (1)          | 217          | (101)        |
| Depr., amort. & impairment assets        | (910)        | (948)        | (937)        | 4             | 3           | (1,857)      | (1,800)      | (3)          |
| <b>Operating income</b>                  | <b>184</b>   | <b>127</b>   | <b>209</b>   | <b>46</b>     | <b>(12)</b> | <b>311</b>   | <b>450</b>   | <b>(31)</b>  |
| Comprehensive financing result, net      | (333)        | (236)        | (731)        | (41)          | 54          | (570)        | (180)        | (217)        |
| Equity in results of associated company  | (0)          | 0            | 0            | --            | --          | (0)          | 0            | --           |
| <b>Income (loss) before income taxes</b> | <b>(149)</b> | <b>(110)</b> | <b>(522)</b> | <b>(36)</b>   | <b>71</b>   | <b>(259)</b> | <b>271</b>   | <b>(196)</b> |
| Income taxes                             | 65           | 38           | (106)        | 72            | 162         | 103          | (10)         | >1,000       |
| Discontinued Operations                  | 493          | (6)          | 62           | >1,000        | 694         | 487          | 134          | 265          |
| <b>Net Income (Loss)</b>                 | <b>409</b>   | <b>(77)</b>  | <b>(566)</b> | <b>630</b>    | <b>172</b>  | <b>332</b>   | <b>394</b>   | <b>(16)</b>  |