

EARNINGS REPORT

Third Quarter 2022 (3Q22)



Monterrey, Mexico, October 20, 2022.- Axtel, S.A.B. de C.V. (BMV: AXTELCPO) ("Axtel", the "Company"), a Mexican Information and Communications Technology company, announced today its unaudited results for the third quarter of 2022 ("3Q22").

Axtel reports 3Q22 EBITDA of US \$39 million (Ps. 790 million)

SELECTED FINANCIAL INFORMATION

(IN MILLIONS)

	3Q22	2Q22	3Q21	(% 3Q22 vs.)		YTD'22	YTD'21	YTD
				2Q22	3Q21			Δ (%)
Revenues (Ps.)	2,736	2,544	2,759	8	(1)	7,827	8,577	(9)
US \$	135	127	138	7	(2)	386	426	(9)
EBITDA (Ps.) ¹	790	701	912	13	(13)	2,208	2,969	(26)
US \$	39	35	46	12	(14)	109	148	(26)
Net Income (loss) (Ps.)	(116)	(171)	(302)	33	62	(176)	(244)	28
US \$	(6)	(9)	(15)	34	62	(9)	(12)	26
CAPEX (Ps.) ²	285	313	486	(9)	(41)	930	1,108	(16)
US \$	14	16	24	(10)	(42)	46	55	(17)
Net Debt (US \$)	566	570	613	(1)	(8)			
Net Debt / LTM EBITDA*	3.8	3.7	3.1					
LTM Interest Coverage*	3.3	3.1	3.6					

* Times. LTM = Last twelve months. See page 7 for ratio calculation details.

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

2) Gross amount; does not include divestments.

3Q22 HIGHLIGHTS

RESULTS

- Third quarter EBITDA increased 13% sequentially, driven by 23% and 4% increases in Axnet and Alestra, respectively.
 - Cloud and cybersecurity services maintained their positive trend, posting a 26% increase in revenue year-over-year.

CAPITAL STRUCTURE

- The Company continues working with financial institutions to refinance its debt, including the 2024 Senior Notes.

SPIN-OFF

- Following the approval of the spin-off of ALFA's ownership in Axtel, the required 45-day legal term was completed during the third quarter.
 - ALFA will transfer said ownership to its shareholders via a new entity constituted during the quarter: "Controladora Axtel".
 - The process to list Controladora Axtel on the Mexican Stock Exchange is expected to conclude in the coming months.
- The Board of Directors, Committees, management team, policies, corporate governance, and internal controls will remain the same.

MESSAGE FROM AXTEL'S CEO

“In Axtel, we have prioritized resuming profitable growth. Accordingly, in the third quarter we achieved the highest revenues and EBITDA of the year, with contributions from both business units, Alestra and Axnet.

Among different initiatives and actions to boost revenue growth, we are reinforcing the attributes that the Alestra and Axnet brands represent beyond traditional connectivity, towards specialized services such as cybersecurity, consulting and hybrid cloud solutions. Likewise, we are accelerating strategies to increase our participation in industries where we have a strong positioning and implementing processes to increase agility in decision making.

In the enterprise segment, digital transformation solutions, such as cloud and cybersecurity, maintained their strong performance. With the commercial focus of specialization through business lines, we have increased the proposals presented to customers and the level of acquisitions, which represent higher future revenues. In the government segment, we are expanding the client base to state governments where we did not have presence but represent enticing opportunities, as well as strengthening relationships with new and existing federal entities. Furthermore, Axnet achieved a significant recovery driven by the implementation of dark fiber capacity contracts, expecting additional contracts in the following months.

It is relevant for Axtel to maintain a solid capital structure and an extended maturity profile. We continue engaged with financial institutions in the process of refinancing our debt, even though the Senior Notes are due in more than two years.”

Armando de la Peña

REVENUES

	3Q22	2Q22	3Q21	(%) 3Q22 vs.		YTD'22	YTD'21	YTD
				2Q22	3Q21			Δ (%)
SERVICES (Ps.)	2,150	2,054	2,179	5	(1)	6,351	6,608	(4)
US \$	106	102	109	4	(2)	313	328	(5)
Enterprise (Ps.)	1,902	1,866	1,875	2	1	5,625	5,639	(0)
US \$	94	93	94	1	0	278	280	(1)
Government (Ps.)	248	188	304	32	(18)	727	969	(25)
US \$	12	9	15	30	(19)	36	48	(26)
INFRASTRUCTURE (Ps.)	1,200	1,101	1,194	9	0	3,317	3,810	(13)
US \$	59	55	60	8	(1)	164	189	(14)
ELIMINATIONS (Ps.) *	(614)	(611)	(614)	(0)	(0)	(1,841)	(1,841)	(0)
US \$	(30)	(30)	(31)	1	1	(91)	(91)	1
TOTAL REVENUES (Ps.)	2,736	2,544	2,759	8	(1)	7,827	8,577	(9)
US \$	135	127	138	7	(2)	386	426	(9)

* For consolidation purposes, revenues of Infrastructure Unit coming from Services Unit are presented as "eliminations".

Total revenues reached US \$135 million in 3Q22. In pesos, revenues decreased 1% year-over-year, due to a 1% decline in Alestra's revenues.

INFRASTRUCTURE BUSINESS UNIT ("AXTEL NETWORKS", "AXNET")

Revenues reached US \$59 million in 3Q22. In pesos, revenues posted a small increase compared to the year-earlier quarter, mainly due to increases in dark fiber contracts which compensated a decline in wholesale connectivity revenues.

Revenues coming from Alestra represented 56% of total Infrastructure Unit's YTD revenues.

SERVICES BUSINESS UNIT ("ALESTRA")

Revenues totaled US \$106 million in 3Q22. In pesos, revenues declined 1% compared to 3Q21, due to an 18% decline in Government segment revenues, partially compensated by an increase in Enterprise segment revenues.

ENTERPRISE SEGMENT (89% of Alestra's YTD revenues)

Enterprise segment revenues totaled US \$94 million in 3Q22. In pesos, revenues increased 1% compared to 3Q21, due to a 12% increase in *digital transformation* services, compensating 1% and 3% declines in *standard* and *value-added* services, respectively. (Table 1).

STANDARD SERVICES revenues reached Ps. 1,218 million in 3Q22, down 1% year-over-year, mainly due an 8% decline in voice services, which continue their declining trend and represented 10% of total enterprise segment revenues, compared to 11% a year ago. *Data & Internet* revenues increased 5%, compensating declines in *VPN*, *Ethernet* and *Hosting* solutions revenues.

VALUE-ADDED SERVICES revenues reached Ps. 243 million in 3Q22, 3% lower when compared to 3Q21, mainly due to a decrease in *system integration* from non-recurrent revenues, partially mitigated by increases in *managed services* revenues.

DIGITAL TRANSFORMATION revenues reached Ps. 441 million in 3Q22, up 12% compared to 3Q21, mainly driven by a 26% increase in *cybersecurity* and *cloud* solutions.



REVENUES

SERVICES BUSINESS UNIT (“ALESTRA”) (cont’d)

GOVERNMENT SEGMENT *(11% of Alestra’s YTD revenues)*

Government segment revenues amounted US \$12 million in 3Q22. In pesos, revenues declined 18% compared to 3Q21, explained by lower recurrent revenues driven by termination of federal entity contracts. However, on a sequential basis, revenues posted a 32% increase. The government segment’s new management team is focused on extending expiring contracts and expanding the customer base at both state and federal levels. (Table 2).

STANDARD SERVICES revenues reached Ps. 92 million in 3Q22, 39% lower than 3Q21.

VALUE-ADDED SERVICES revenues reached Ps. 104 million in 3Q22, a 29% increase when compared to 3Q21.

DIGITAL TRANSFORMATION revenues reached Ps. 53 million in 3Q22, 28% lower compared to 3Q21.

GROSS PROFIT

Gross profit is defined as revenues minus cost of revenues. For 3Q22, gross profit was US \$102 million. In pesos, gross profit totaled Ps. 2,059 million, 3% higher compared to 3Q21. Gross profit margin increased from 73% to 75%, due to lower costs in both Alestra and Axnet.

SERVICES UNIT (ALESTRA) gross profit amounted Ps. 949 million, a 5% increase compared to the year-earlier quarter, driven by an increase in contribution margin in the government segment, from cancelation of excess cost provisions of contracts in previous quarters.

INFRASTRUCTURE UNIT (AXNET) gross profit amounted to Ps. 1,110 million, up 1% compared to the year-earlier quarter, in line with the increase in revenues.

OPERATING EXPENSES AND OTHER INCOME (EXPENSES)

Operating expenses reached US \$65 million in 3Q22; in pesos, operating expenses increased 20%, compared to the year-earlier quarter.

SERVICES UNIT (ALESTRA) operating expenses increased 13% compared to 3Q21, due to increases in personnel and external services, reflecting inflation adjustments.

INFRASTRUCTURE UNIT (AXNET) operating expenses increased 26% compared to 3Q21, as a result of a bad debt provision related to a mobile wholesale operator.

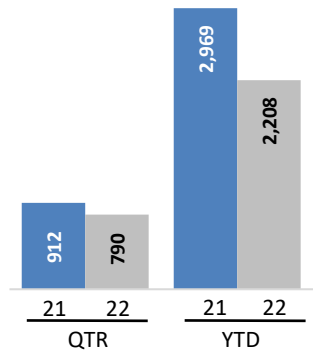
Other income reached Ps. 42 million during 3Q22 resulting from bad debt and other expenses provisions recoveries, compared to Ps. 3 million recorded in 3Q21.

EBITDA

EBITDA totaled US \$39 million in 3Q22. In pesos, EBITDA reached Ps. 790 million, compared to Ps. 912 million in 3Q21, a 13% decline. On a sequential basis, EBITDA increased 13% compared to 2Q22.

EBITDA margin decreased from 33% in 3Q21 to 29% in 3Q22, mainly due to the increase in Axnet's operating expenses previously explained.

(in Million Ps.)

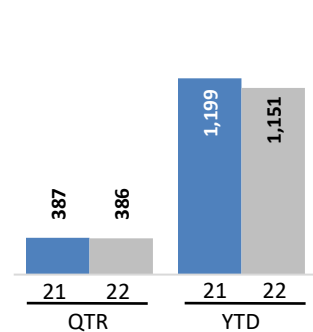


SERVICES UNIT (ALESTRA)

(52% of Axtel's YTD EBITDA)

Alestra's EBITDA amounted US \$19 million in 3Q22. In pesos, 3Q22 EBITDA remained flat, as the increase in operating expenses was compensated by the 5% increase in gross profit.

(in Million Ps.)

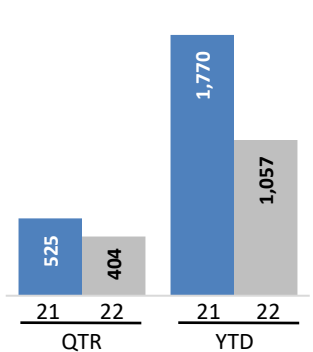


INFRASTRUCTURE UNIT (AXNET)

(48% of Axtel's YTD EBITDA)

Axnet's EBITDA reached US \$20 million in 3Q22. In pesos, EBITDA declined 23% compared to 3Q21, explained by the increase in operating expenses related to the extraordinary bad debt provision charge.

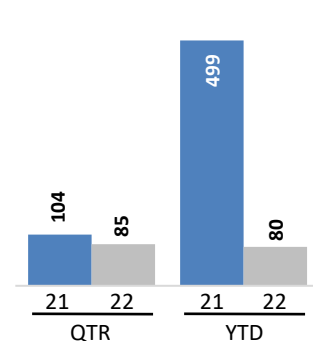
(in Million Ps.)



OPERATING INCOME (LOSS)

Operating income in 3Q22 reached Ps. 85 million, compared to an operating income of Ps. 104 million in 3Q21; an 18% decrease, mainly due to the 13% decline in EBITDA, partially mitigated by lower depreciation and amortization.

(in Million Ps.)





COMPREHENSIVE FINANCING RESULT

The comprehensive financing cost reached US \$15 million in 3Q22, or Ps. 308 million, compared to a comprehensive financing cost of Ps. 512 million in 3Q21, a 40% decline. The drop in financing costs is mostly explained by a lower foreign exchange loss in 3Q22 than in 3Q21, resulting from a depreciation of the Mexican peso against the US dollar, and a decline in net interest expenses.

NET DEBT

As of September 30, 2022, net debt was US \$566 million, a decrease of 8% or US \$47 million in comparison with 3Q21; comprised of a US \$26 million decrease in debt and a US \$21 million increase in cash.

As of 3Q22, cash balance totaled US \$74 million (Ps. 1,499 million), compared to US \$53 million (Ps. 1,083 million) in 3Q21, a 38% increase.

Financial ratios for the third quarter 2022 were: Net Debt to EBITDA of 3.8 times and Interest Coverage of 3.3 times (Table 6).

CAPITAL EXPENDITURES (CAPEX)

Capital investments totaled US \$14 million in 3Q22, compared to US \$24 million in 3Q21. YTD 3Q22, Capex was allocated 69% for Axnet and 31% for Alestra.

Capex as a percentage of revenues reached 10% in 3Q22, compared to a ratio of 18% a year ago.

OTHER INFORMATION

- This 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 and financial performance of the company, all of which are difficult or impossible to predict accurately. These statements reflect management's current views, which are subject to different risks. Accordingly, results could vary from those set forth in this release. The company disclaims any obligation to update statements in this release based on new information available.
- 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).
- Net 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 exchange rate risk exposure, Axtel maintains forward transactions for an outstanding amount of US \$37 million @ 20.26 MXN/USD, where Axtel buys USD and sells MXN, hedging approximately 90% of its USD denominated Capex and interest obligations up to January 2023. Additionally, Axtel maintains an interest rate swap ("IRS") for Ps. 720 million, maturing in December 2022, where Axtel pays 8.355% and receives TIIE 28d.
- 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 (AxtelCPOs) or its Senior Notes.

ABOUT AXTEL

Axtel is a Mexican Information and Communication Technology company that serves the enterprise, government and wholesale segments through its business units Alestra (Services) and Axtel Networks (Axnet, Infrastructure).

Axtel adhered to the UN Global Compact in 2011 the world's largest social responsibility initiative. It has received recognition from CEMEFI as a Socially Responsible Company since 2008.

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

Alestra's website: alestra.mx

Axtel Networks' website: axtelnetworks.mx

Appendix A – Tables

TABLE 1 | SERVICES BUSINESS UNIT (ALESTRA) REVENUES - ENTERPRISE SEGMENT
(IN MILLIONS)

	3Q22	2Q22	3Q21	(%) 3Q22 vs.		YTD'22	YTD'21	YTD Δ (%)
				2Q22	3Q21			
STANDARD SERVICES (Ps.)	1,218	1,198	1,231	2	(1)	3,630	3,799	(4)
VALUE ADDED (Ps.)	243	281	251	(13)	(3)	765	737	4
DIGITAL TRANSFORMATION (Ps.)	441	387	393	14	12	1,229	1,103	11
TOTAL ENTERPRISE (Ps.)	1,902	1,866	1,875	2	1	5,625	5,639	(0)
US \$	94	93	94	1	0	278	280	(1)

TABLE 2 | SERVICES BUSINESS UNIT (ALESTRA) REVENUES - GOVERNMENT SEGMENT
(IN MILLIONS)

	3Q22	2Q22	3Q21	(%) 3Q22 vs.		YTD'22	YTD'21	YTD Δ (%)
				2Q22	3Q21			
STANDARD SERVICES (Ps.)	92	86	150	7	(39)	302	437	(31)
VALUE ADDED (Ps.)	104	41	80	149	29	230	303	(24)
DIGITAL TRANSFORMATION (Ps.)	53	61	74	(13)	(28)	195	229	(15)
TOTAL GOVERNMENT (Ps.)	248	188	304	32	(18)	727	969	(25)
US \$	12	9	15	30	(19)	36	48	(26)

TABLE 3 | INFRASTRUCTURE BUSINESS UNIT (AXNET) REVENUES
(IN MILLIONS)

	3Q22	2Q22	3Q21	(%) 3Q22 vs.		YTD'22	YTD'21	YTD Δ (%)
				2Q22	3Q21			
TOTAL INFRASTRUCTURE (Ps.)	1,200	1,101	1,194	9	0	3,317	3,810	(13)
US \$	59	55	60	8	(1)	164	189	(14)
ELIMINATIONS (Ps.) *	(614)	(611)	(614)	(0)	(0)	(1,841)	(1,841)	(0)
US \$	(30)	(30)	(31)	1	1	(91)	(91)	1

* For consolidation purposes, revenues coming from Services Unit (Alestra) are presented as "eliminations".

Appendix A – Tables

TABLE 4 | OPERATING INCOME AND EBITDA

(IN MILLIONS)

	3Q22	2Q22	3Q21	(% 3Q22 vs.)		YTD'22	YTD'21	YTD Δ (%)
				2Q22	3Q21			
Operating Income (Ps.)	85	(12)	104	--	(18)	80	499	(84)
US \$	4	(1)	5	--	(18)	4	25	(84)
EBITDA (Ps.)	790	701	912	13	(13)	2,208	2,969	(26)
US \$	39	35	46	12	(14)	109	148	(26)
Services Unit (Ps.)	386	372	387	4	(0)	1,151	1,199	(4)
Infrastructure Unit (Ps.)	404	329	525	23	(23)	1,057	1,770	(40)

TABLE 5 | COMPREHENSIVE FINANCING RESULT

(IN MILLIONS)

	3Q22	2Q22	3Q21	(% 3Q22 vs.)		YTD'22	YTD'21	YTD Δ (%)
				2Q22	3Q21			
Net interest expense	(164)	(244)	(266)	33	38	(646)	(903)	28
FX gain (loss), net	(144)	(9)	(246)	<1,000	42	117	(160)	--
Ch. FV of Fin. Instruments	0	0	0	--	--	0	0	--
Total (Ps.)	(308)	(254)	(512)	(22)	40	(529)	(1,064)	50
US \$	(15)	(13)	(26)	(18)	41	(26)	(53)	50

TABLE 6 | NET DEBT AND FINANCIAL RATIOS

(US \$ MILLIONS)

	3Q22	2Q22	3Q21	(% 3Q22 vs.)	
				2Q22	3Q21
Senior Notes 2024	423	440	440	(4)	(4)
Long-term bank loan	151	155	157	(3)	(4)
Short-term bank loans	29	30	29	(0)	0
Other loans + leases	24	27	27	(13)	(13)
Accrued interests	12	5	12	139	2
Total Debt	640	657	666	(3)	(4)
% US \$ denominated debt	71%	72%	71%		
(-) Cash and cash eq.	(74)	(87)	(53)	15	(38)
Net Debt	566	570	613	(1)	(8)
Net Debt / LTM EBITDA*	3.8	3.7	3.1		
LTM Interest Coverage*	3.3	3.1	3.6		

* Times. LTM = Last twelve months. See page 7 for calculation details.

TABLE 7 | CHANGE IN NET DEBT

(US \$ MILLIONS)

	3Q22	2Q22	3Q21	(% 3Q22 vs.)		YTD'22	YTD'21	YTD Δ (%)
				2Q22	3Q21			
EBITDA	39	35	46	12	(14)	109	148	(26)
Net Working Capital	(14)	16	(1)	--	(1,206)	(12)	(35)	66
Capex & Acquisitions	(14)	(16)	(24)	10	42	(46)	(55)	17
Net financial expenses	(12)	(13)	(13)	1	5	(37)	(44)	16
Taxes	(0)	(0)	(0)	--	--	(0)	(21)	99
Other Sources (Uses)	6	(8)	5	--	10	(6)	(4)	(73)
Decrease (increase) Net Debt	4	15	12	(70)	(64)	8	(11)	--

Appendix B – Financial Statements

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

Unaudited Consolidated Balance Sheet

(IN MILLION PESOS)

	3Q22	2Q22	3Q21	(% 3Q22 vs.)	
				2Q22	3Q21
ASSETS					
CURRENT ASSETS					
Cash and equivalents	1,499	1,730	1,083	(13)	38
Restricted cash	-	-	-	--	--
Accounts receivable	1,740	1,606	2,172	8	(20)
Related parties	19	17	16	12	20
Refundable taxes and other acc. rec.	708	687	957	3	(26)
Advances to suppliers	780	741	732	5	7
Inventories	101	107	92	(6)	9
Financial Instruments	4	4	8	(4)	(53)
Total current assets	4,850	4,892	5,060	(1)	(4)
NON CURRENT ASSETS					
Property, plant and equipment, net	9,203	9,541	10,426	(4)	(12)
Long-term accounts receivable	-	20	20	--	--
Intangible assets, net	1,595	1,664	1,789	(4)	(11)
Deferred income taxes	3,123	3,013	2,858	4	9
Investment shares associated co.	23	1	292	>1,000	(92)
Other assets	434	450	308	(3)	41
Total non current assets	14,379	14,689	15,694	(2)	(8)
TOTAL ASSETS	19,229	19,581	20,754	(2)	(7)
LIABILITIES & STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Account payable & Accrued expenses	1,901	2,091	2,248	(9)	(15)
Accrued Interest	254	104	248	143	2
Short-term debt	-	-	-	--	--
Current portion of long-term debt	487	480	430	2	13
Taxes payable	-	-	-	--	--
Financial Instruments	1	0	65	42	(99)
Deferred Revenue	51	57	96	(11)	(47)
Provisions	25	25	28	(2)	(11)
Other accounts payable	746	685	723	9	3
Total current liabilities	3,465	3,443	3,838	1	(10)
LONG-TERM LIABILITIES					
Long-term debt	12,186	12,472	12,755	(2)	(4)
Employee Benefits	860	831	815	3	6
Derivative Financial Instruments	-	-	3	--	--
Other LT liabilities	1	1	1	5	8
Total long-term debt	13,047	13,305	13,574	(2)	(4)
TOTAL LIABILITIES	16,512	16,748	17,411	(1)	(5)
STOCKHOLDERS' EQUITY					
Capital stock	455	455	464	-	(2)
Reserve for repurchase of shares	200	200	190	-	5
Cumulative earnings (losses)	2,062	2,178	2,688	(5)	(23)
TOTAL STOCKHOLDERS' EQUITY	2,716	2,833	3,343	(4)	(19)
TOTAL LIABILITIES AND EQUITY	19,229	19,581	20,754	(2)	(7)

Appendix B – Financial Statements

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

Unaudited Consolidated Income Statement

(IN MILLION PESOS)

	3Q22	2Q22	3Q21	(% 3Q22 vs.		YTD'22	YTD'21	YTD Δ (%)
				2Q22	3Q21			
Total Revenues	2,736	2,544	2,759	8	(1)	7,827	8,577	(9)
Cost of sales and services	(677)	(699)	(756)	3	10	(2,120)	(2,292)	8
Gross Profit	2,059	1,845	2,003	12	3	5,707	6,286	(9)
Operating expenses	(1,311)	(1,148)	(1,095)	(14)	(20)	(3,551)	(3,328)	(7)
Other income (expenses), net	42	4	3	908	>1,000	52	11	380
Depr., amort. & impairment assets	(704)	(713)	(808)	1	13	(2,129)	(2,470)	14
Operating income	85	(12)	104	--	(18)	80	499	(84)
Comprehensive financing result, net	(308)	(254)	(512)	(22)	40	(529)	(1,064)	50
Equity in results of associated company	(0)	0	(0)	--	--	(0)	(0)	--
Income (loss) before income taxes	(223)	(266)	(408)	16	45	(449)	(564)	20
Income taxes	108	95	106	14	1	274	320	(15)
Net Income (Loss)	(116)	(171)	(302)	33	62	(176)	(244)	28