

# 4<sup>th</sup> Quarter 2018



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San Pedro Garza Garcia, Mexico, February 13, 2019 - Axtel, S.A.B. de C.V. ("Axtel" or "the Company"), a Mexican Information and Communications Technology company, announced today its unaudited fourth quarter results ended December 31, 2018<sup>(1)</sup>. Axtel is a subsidiary of Alfa S.A.B. de C.V. ("ALFA").

| Million Pesos                    | Q4     | Q3     | Q4     | (% 4Q18 vs.) |          | LTM'18 | LTM'17 | LTM     |
|----------------------------------|--------|--------|--------|--------------|----------|--------|--------|---------|
|                                  | 2018   | 2018   | 2017   | 3Q18         | 4Q17     |        |        | Δ%      |
| Revenues                         | 3,446  | 3,140  | 3,561  | 10%          | -3%      | 12,788 | 12,544 | 2%      |
| EBITDA <sup>(4)</sup>            | 1,097  | 1,045  | 1,167  | 5%           | -6%      | 4,393  | 4,300  | 2%      |
| EBITDA Margin                    | 31.8%  | 33.3%  | 32.8%  | - 147 bps    | - 96 bps | 34.3%  | 34.3%  | + 7 bps |
| Net (loss) Income                | 1,242  | -542   | -923   | n.a.         | n.a.     | 1,095  | 62     | >100%   |
| Capital Expenditures             | 729    | 576    | 257    | 27%          | >100%    | 1,644  | 1,650  | 0%      |
| Net Debt                         | 13,496 | 19,323 | 19,201 | -30%         | -30%     |        |        |         |
| Net Debt / EBITDA <sup>(5)</sup> | 3.0x   | 3.5x   | 3.4x   |              |          |        |        |         |
| Adjusted Revenues*               | 4,131  | 3,829  | 4,286  | 8%           | -4%      | 15,561 | 15,513 | 0%      |
| Adjusted EBITDA*                 | 4,135  | 1,311  | 1,450  | >100%        | >100%    | 8,240  | 5,451  | 51%     |

\* Axtel's individual results reflect its Mass Market business as discontinued operations. ALFA, however, consolidates both continuing and discontinued operations. For a complete reconciliation of revenues and EBITDA, see page 10.

## Highlights:

- ❖ At the end of 2018, Axtel divested a majority share of its fiber (FTTx) mass market business to completely focus on providing IT and managed Telecom solutions to enterprise and government customers. This transaction is in line with the Company's business strategy and was a key objective since the merger between Alestra and Axtel.
- ❖ Year end results reflect all Axtel's Mass Market business as discontinued operations, given the expectation to divest the remaining FTTx business and the complete phase out of the legacy wireless business. From now on, results will only reflect the performance of Axtel's core businesses.
- ❖ Fourth-quarter performance contributed to positive full year results for the Company. During the year, recurring revenues from the enterprise and government segment increased 6%, supporting a 2% growth of total revenues. EBITDA, excluding Tower Sales, increased 20%, or 7% also excluding merger-related expenses recorded in 2017.
- ❖ Since the Alestra-Axtel merger, the Company's priority has been to improve its capital structure. With the proceeds from the sale of the FTTx business, Axtel prepaid Ps. 4,350 million in bank debt, reducing its leverage ratio and interest expense and extending the average maturity of its debt from 4.7 to 5.7 years. The Company will continue evaluating alternatives to strengthen its capital structure.

### Media Relations:

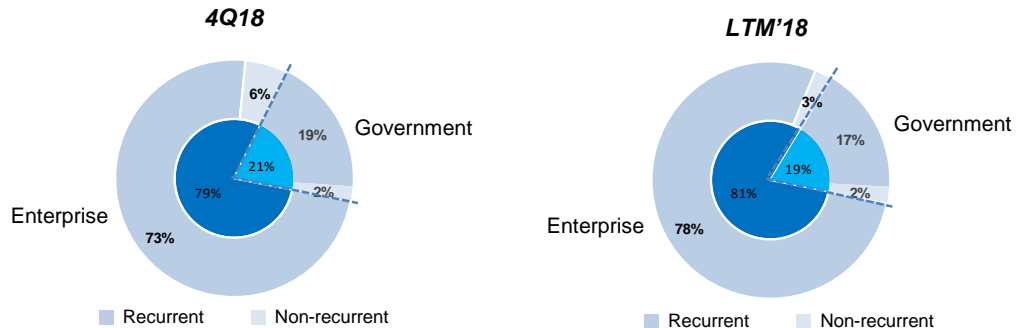
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## Revenues

| Million Pesos        | Q4 2018      | Q3 2018      | Q4 2017      | (% ) 4Q18 vs. |            | LTM'18        | LTM'17        | LTM Δ%    |
|----------------------|--------------|--------------|--------------|---------------|------------|---------------|---------------|-----------|
|                      |              |              |              | Q3 2018       | Q4 2017    |               |               |           |
| ENTERPRISE           | 2,732        | 2,548        | 2,621        | 7.2%          | 4%         | 10,313        | 9,973         | 3%        |
| GOVERNMENT           | 714          | 592          | 941          | 21%           | -24%       | 2,475         | 2,571         | -4%       |
| <b>TOTAL</b>         | <b>3,446</b> | <b>3,140</b> | <b>3,561</b> | <b>10%</b>    | <b>-3%</b> | <b>12,788</b> | <b>12,544</b> | <b>2%</b> |
| <i>Recurrent</i>     | 3,178        | 3,084        | 3,015        | 3%            | 5%         | 12,199        | 11,456        | 6%        |
| <i>Non recurrent</i> | 268          | 56           | 546          | >100%         | -51%       | 590           | 1,089         | -46%      |



Total revenues for the fourth quarter 2018 reached Ps. 3,446 million, compared to Ps. 3,561 million in the same period in 2017, a 3% decrease, mainly due to a 4% increase in the enterprise segment, mitigated by a 24% decline in the government segment. Total recurrent revenues for the fourth quarter 2018 reached Ps. 3,178 million, a 5% increase compared to 2017. Non-recurrent revenues decreased 51%, as in fourth quarter 2017, an extraordinary level of non-recurrent government revenues was recorded.

## Enterprise

| Million Pesos            | Q4 2018      | Q3 2018      | Q4 2017      | (% ) 4Q18 vs. |            | LTM'18        | LTM'17       | LTM Δ%     |
|--------------------------|--------------|--------------|--------------|---------------|------------|---------------|--------------|------------|
|                          |              |              |              | Q3 2018       | Q4 2017    |               |              |            |
| <b>TELECOM</b>           | <b>2,340</b> | <b>2,226</b> | <b>2,268</b> | <b>5%</b>     | <b>3%</b>  | <b>9,002</b>  | <b>8,849</b> | <b>2%</b>  |
| <i>Voice</i>             | 460          | 475          | 558          | -3%           | -18%       | 1,982         | 2,343        | -15%       |
| <i>Data and Internet</i> | 932          | 895          | 944          | 4%            | -1%        | 3,556         | 3,514        | 1%         |
| <i>Managed Networks</i>  | 948          | 856          | 766          | 11%           | 24%        | 3,465         | 2,993        | 16%        |
| <b>IT</b>                | <b>392</b>   | <b>322</b>   | <b>353</b>   | <b>22%</b>    | <b>11%</b> | <b>1,311</b>  | <b>1,123</b> | <b>17%</b> |
| <b>TOTAL ENTERPRISE</b>  | <b>2,732</b> | <b>2,548</b> | <b>2,621</b> | <b>7%</b>     | <b>4%</b>  | <b>10,313</b> | <b>9,973</b> | <b>3%</b>  |
| <i>Recurrent</i>         | 2,533        | 2,526        | 2,496        | 0%            | 1%         | 9,998         | 9,534        | 5%         |
| <i>Non recurrent</i>     | 200          | 22           | 124          | >100%         | 61%        | 315           | 438          | -28%       |

Quarterly revenues totaled Ps. 2,732 million, a 4% increase compared to the same period in 2017, due to an improvement in IT and Managed Network revenues. Recurrent revenues increased 1% and non-recurrent revenues increased 61% due to equipment sale.

Telecom revenues in fourth quarter 2018 increased 3% compared to the fourth quarter in the previous year, mainly due to an increase of 24% in *Managed Networks* due to strong increases in Managed Services, VPNs and Ethernet services. This increase was softened by a 18% decrease in *Voice* revenues, due to declines in fix-to-mobile and long distance revenues.

IT revenues increased 11% year-over-year, mainly due to a 116% increase in *Managed Applications* as existing customers acquired this service for the first time; a 47% growth in *security services* related to non-recurrent equipment sale; and 24% increase in *cloud services*, as existing customers increased their cloud capacity requirements.

## Government

| Million Pesos           | Q4 2018    | Q3 2018    | Q4 2017    | (% 4Q18 vs.)    |             | LTM'18       | LTM'17       | LTM<br>Δ%   |
|-------------------------|------------|------------|------------|-----------------|-------------|--------------|--------------|-------------|
|                         |            |            |            | Q3 2018         | Q4 2017     |              |              |             |
| <b>TELECOM</b>          | <b>14</b>  | <b>390</b> | <b>581</b> | <b>-96%</b>     | <b>-98%</b> | <b>1,174</b> | <b>1,593</b> | <b>-26%</b> |
| Voice                   | 26         | 37         | 40         | -28%            | -34%        | 140          | 166          | -16%        |
| Data and Internet       | 44         | 105        | 103        | -58%            | -57%        | 303          | 374          | -19%        |
| Managed Networks        | (57)       | 248        | 438        | n.a.            | n.a.        | 731          | 1,053        | -31%        |
| <b>IT</b>               | <b>699</b> | <b>202</b> | <b>360</b> | <b>&gt;100%</b> | <b>94%</b>  | <b>1,301</b> | <b>979</b>   | <b>33%</b>  |
| <b>TOTAL GOVERNMENT</b> | <b>714</b> | <b>592</b> | <b>941</b> | <b>21%</b>      | <b>-24%</b> | <b>2,475</b> | <b>2,571</b> | <b>-4%</b>  |
| Recurrent               | 645        | 558        | 518        | 16%             | 25%         | 2,201        | 1,921        | 15%         |
| Non recurrent           | 68         | 34         | 422        | 98%             | -84%        | 274          | 650          | -58%        |

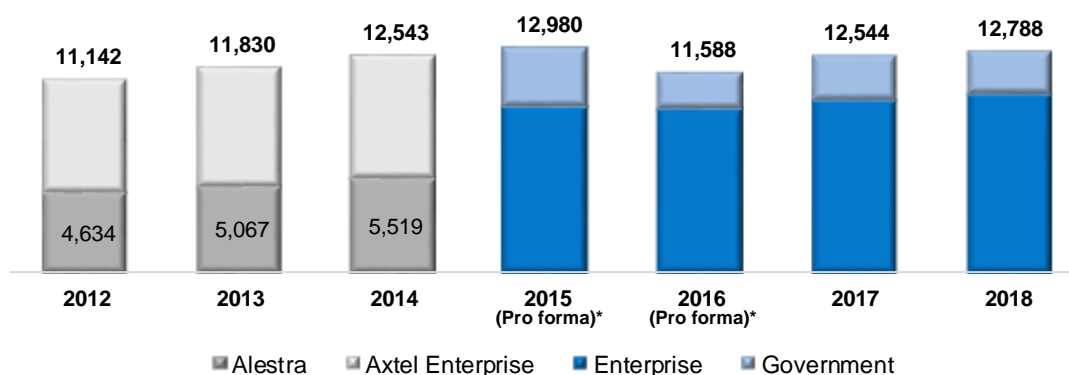
Government segment revenues amounted to Ps. 714 million in the fourth quarter of 2018, compared to Ps. 941 million in the same period in 2017, a 24% decline mainly due to a fall in Telecom revenues. Recurrent revenues, which represented 90% of total government revenues in the quarter, increased 25% compared to the same period in 2017.

Telecom revenues decreased 98%. *Voice* revenues decreased 34% and *Data and internet* revenues decreased 57% due to a decline in Internet services. *Managed networks* revenues decreased due to a reclassification of 2018 revenues from this category to IT services. If we apply the same classification criteria to 2017 revenues, full-year 2018 Managed Networks revenues would have declined 23%, as opposed to 31%, due to non recurrent equipment sale to a federal entity during 2017.

IT revenues increased 94% due to a strong increase in *Security Services*, *Managed Applications*, and *Hosting* revenues, mainly due to the reclassification previously mentioned and new projects for federal government entities. If we apply the same classification criteria to 2017 revenues, full-year 2018 revenues would have increased 20%, as opposed to 33%, as most of these revenues come from new projects implemented during 2018.

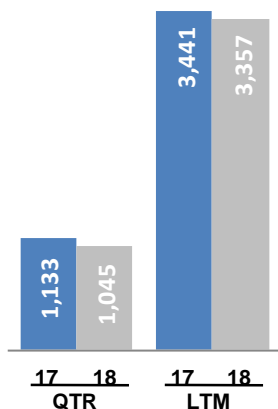
## Enterprise and Government Segment Evolution

(Revenues in MPs.)

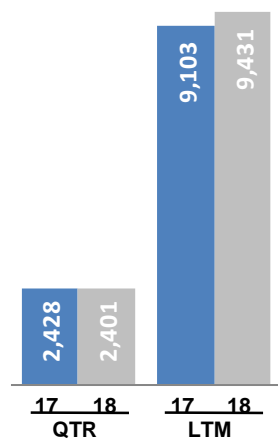


\* Pro forma figures include Alestra as of the beginning of each year.

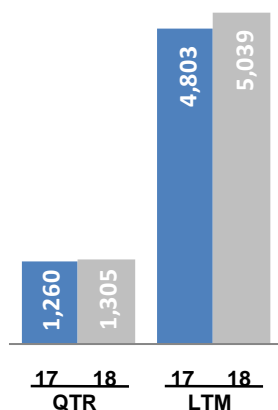
### Cost of Revenues (in MPes.)



### Gross Profit (in MPes.)



### Expenses (in MPes.)



### Cost of revenues and Operating and Other expenses

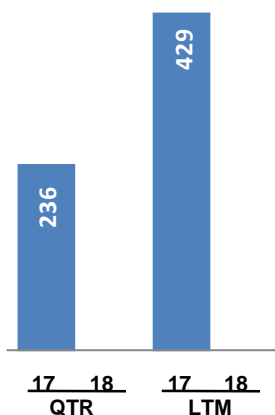
**Cost of revenues<sup>(2)</sup>.** For the three month period ended December 31, 2018, the cost of revenues represented Ps. 1,045 million, an 8% or Ps. 89 million decrease compared to the same period of year 2017, mainly due to a 26% decline in government segment costs associated to a decline in non-recurrent revenues. Full year 2018 costs decreased 2% mainly due to a decline in enterprise Telecom costs which translated into improved margins.

**Gross Profit.** Gross profit is defined as revenues minus cost of revenues. For the fourth quarter of 2018, the gross profit accounted for Ps. 2,401 million, representing a 1% decrease compared to the same period in year 2017, mainly due to decreases in government revenues, partially mitigated by an increase in enterprise revenues. Gross profit margin increased from 68% to 70% year-over-year, explained by an increase in enterprise margins and in the proportion of enterprise revenues within the revenue mix. Full year 2018 gross margins reached 74%, compared to 73% in 2017, due to improved enterprise margins.

**Operating and other expenses<sup>(3)</sup>.** In the fourth quarter of 2018, total expenses reached Ps. 1,305 million, 4% higher than the expenses recorded in the same period in 2017, mainly due to the net benefit of Ps. 121 million from tower sale and merger-related expenses in 4Q17. Operating expenses in the fourth quarter decreased 6%, due to efficiencies in the organization, as personnel expenses remained unchanged and maintenance expenses declined 13% year-over-year. Full year 2018 operating expenses remained unchanged compared to 2017, as 3% and 6% increases in personnel and tower leases respectively, were mitigated by declines in outsourcing and past due reserves due to positive collection from government accounts.

## Merger Expenses

(in MPes.)

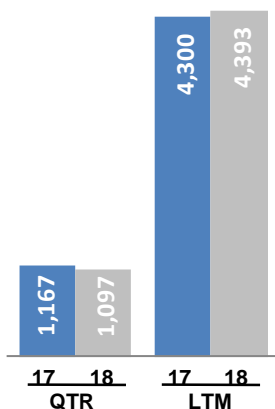


## Merger expenses, EBITDA, Operating income

**Merger and integration expenses.** Starting 2018, the Company stopped recording expenses related to the Alestra - Axtel merger. For the fourth quarter 2017, merger expenses totaled Ps. 236 million and for full year 2017, Ps. 429 million.

## EBITDA

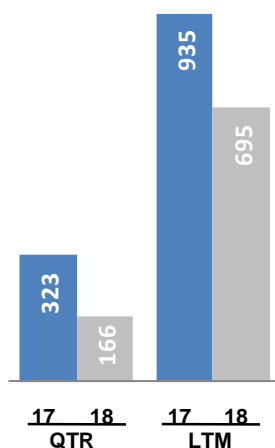
(in MPes.)



**EBITDA<sup>(4)</sup>.** For the fourth quarter of 2018, EBITDA decreased 6% to Ps. 1,097 million, compared to Ps. 1,167 in 2017. However, 2017's figure includes Ps. 357 million of other income related to the sale of towers to American Tower Corporation and merger expenses of Ps. 236 million. Without these effects, EBITDA increased 5% compared to the fourth quarter 2017, and 7% from full year 2017 to 2018.

## Operating income

(in MPes.)



**Operating income.** In the fourth quarter of 2018, operating income totaled Ps. 166 million, 49% lower than the same quarter of last year, due to a lower level of other income; Ps. 51 million in fourth quarter 2018, compared to Ps. 176 million in fourth quarter 2017 related to the Ps. 357 million benefit from tower sale. The decline in operating income is also due to a 10% increase in depreciation and amortization expenses. Last twelve months operating income declined 26%, due to a Ps. 249 million decrease in other income related to the tower sale in 2017 and a 10% increase in depreciation and amortization.

## Comprehensive Financing Result

| Million Pesos                 | Q4 2018        | Q3 2018      | Q4 2017        | (% ) 4Q18 vs.   |             | LTM'18         | LTM'17       | LTM<br>Δ%   |
|-------------------------------|----------------|--------------|----------------|-----------------|-------------|----------------|--------------|-------------|
|                               |                |              |                | Q3 2018         | Q4 2017     |                |              |             |
| Net interest expense          | (488)          | (463)        | (514)          | 5%              | -5%         | (1,816)        | (1,590)      | -14%        |
| FX gain (loss), net           | (479)          | (12)         | (1,217)        | >100%           | -61%        | 187            | 648          | -71%        |
| Ch. in FV of fin. Instruments | (33)           | (10)         | 56             | >100%           | n.a.        | (35)           | 27           | n.a.        |
| <b>Total</b>                  | <b>(1,000)</b> | <b>(485)</b> | <b>(1,675)</b> | <b>&gt;100%</b> | <b>-40%</b> | <b>(1,665)</b> | <b>(915)</b> | <b>-82%</b> |

The comprehensive financing cost reached Ps. 1,000 million in the fourth quarter of 2018, compared to a cost of Ps. 1,675 million in the same period of 2017. This decrease in cost is explained mostly by a decline in FX loss during the fourth quarter of 2018 resulting from a lower amount of USD-denominated debt and a 4.4% depreciation of the Mexican peso against the US dollar, compared to a 7.8% depreciation of the Mexican peso in the fourth quarter of 2017.

## Total Debt and Net Debt <sup>(6)</sup>

| Million Pesos                 | Q4 2018       | Q3 2018       | Q4 2017       |
|-------------------------------|---------------|---------------|---------------|
| Senior Notes 2024             | 9,841         | 9,406         | 9,868         |
| Bank Facilities               | 1,870         | 6,220         | 6,409         |
| Other loans                   | 3,753         | 3,813         | 3,737         |
| Other financing obligations   | 250           | 412           | 462           |
| Accrued interests             | 124           | 294           | 146           |
| <b>Total Debt</b>             | <b>15,839</b> | <b>20,145</b> | <b>20,621</b> |
| (-) Cash and cash equivalents | (2,343)       | (822)         | (1,420)       |
| <b>Net Debt</b>               | <b>13,496</b> | <b>19,323</b> | <b>19,201</b> |

**Total Debt.** At the end of the fourth quarter 2018, total debt decreased Ps. 4,782 million, composed of Ps. 4,755 million, or US\$241 million, decrease in debt, and a Ps. 27 million non-cash decrease caused by a 0.3% appreciation of the Mexican peso, year-over-year.

Debt reduction of Ps. 4,755 million in comparison with the end of the fourth quarter 2017, is explained by (i) a Ps. 4,539 million decrease related to the prepayments of the Syndicated Bank Facility; (ii) a Ps. 299 million decrease in amortizations of a long-term facility; (iii) a Ps. 105 million increase in other loans and financial leases; and (iv) a Ps. 22 million decrease in accrued interests.

**Cash.** As of the end of the fourth quarter of 2018, the cash balance totaled Ps. 2,343 million, compared to Ps. 1,420 million a year ago, and Ps. 822 million at the beginning of the quarter. The cash balance at the end of the quarter includes Ps. 94 million restricted cash and Ps. 1,073 million in cash to be spent in the first quarter 2019 related to the value-added-tax and other provisioned expenses from the FTTx Mass Market business monetization.

## Capital Expenditures

In the fourth quarter of 2018, capital investments totaled Ps. 729 million, or US\$37 million, compared to Ps. 614 million, or US\$32 million in the fourth quarter 2017, including the Ps. 357 million tower sale benefit. Additionally, in the fourth quarter 2018, Axtel invested Ps. 12 million through financial leases, compared to Ps. 204 million in the year-earlier quarter.

## Appendix – Other important information

- 1) Financial information presented is based on International Financial Reporting Standards (IFRS) in nominal pesos for the following periods:
  - Consolidated income statement information for the three month periods ending on December 31, 2018 and 2017, and September 30, 2018; and twelve month period ending on December 31, 2018 and 2017, and
  - Balance sheet information as of December 31, 2018 and 2017; and September 30, 2018.
- 2) Costs of revenues include expenses related to the termination of customers' cellular and long distance calls in other carriers' networks, as well as expenses related to billing, collection, operator services, leasing of private circuit links and maintenance directly associated with customers.
- 3) Operating and other expenses are those incurred in connection with general and administrative matters, such as personnel, land and tower leases, sales and marketing, maintenance of our network and net other non recurrent expenses including merger and integration expenses in 2017.
- 4) EBITDA is defined as operating income (loss) before depreciation and amortization, and impairment of assets.
- 5) Net Debt to EBITDA ratio: Net debt translated into U.S. Dollars using the end-of-period exchange rate divided by the respective LTM EBITDA translated into U.S. Dollars using the average exchange rate for each month.
- 6) Total debt includes accrued interests for each period. Net debt is calculated subtracting cash and equivalents, including non-current restricted cash, from total debt.
- 7) To reduce exposure to exchange rate risk, Axtel entered into exchange rate forward transactions for an outstanding amount as of 4Q18 of ~US\$ 91 million at an average exchange rate of 20.54 MXN/USD, where Axtel buys USD and sells MXN. In November 2018, to hedge the 2024 Senior Notes' coupon payment due May 2019, Axtel contracted a FX FWD for US\$16 million at a exchange rate of 20.88 MXN/USD. To hedge USD-denominated CapEx for Decemeber 2018 to July 2019, Axtel entered into two separate FX FWD transactions: US\$18 million at 20.47 MXN/USD and US\$10 million at 20.44 MXN/USD. Finally, to maintain the value in USD of the remaining part of the Mass Market segment yet to be divested, Axtel contracted a FX FWD for an amount of US\$54 million at an exchange rate of 20.47 MXN/USD.

### FX Forwards:

| Expiration Date | Amount (Mdlls) | Avg. FX rate |
|-----------------|----------------|--------------|
| Apr'19          | 10.9           | 20.47        |
| May'19          | 15.9           | 20.88        |
| Jun'19          | 53.7           | 20.47        |
| Jul'19          | 10.5           | 20.44        |

### Interest Rate Swaps:

| Amount (MPs) | Axtel receives | Axtel pays |
|--------------|----------------|------------|
| 3,380        | TIIE           | 8.355%     |

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

Unaudited Consolidated Balance Sheet

(in Thousand Mexican pesos)

|   | Dec-18            | Sep-18            | Dec-17            | (%) Dec-18 vs.<br>Dec-17 |
|---|-------------------|-------------------|-------------------|--------------------------|
| <b>ASSETS</b>                                     |                   |                   |                   |                          |
| <b>CURRENT ASSETS</b>                             |                   |                   |                   |                          |
| Cash and equivalents                              | 2,249,155         | 651,777           | 1,257,803         | 79                       |
| Accounts receivable                               | 2,660,090         | 3,024,035         | 2,679,833         | (1)                      |
| Allowance for doubtful accounts                   | (2,172,343)       | (2,183,612)       | (2,089,484)       | 4                        |
| Related parties                                   | 55,105            | 40,804            | 31,702            | 74                       |
| Refundable taxes and other accounts receivable    | 878,686           | 986,250           | 832,567           | 6                        |
| Advances to suppliers                             | 546,064           | 652,597           | 485,729           | 12                       |
| Inventories                                       | 104,802           | 295,583           | 188,885           | (45)                     |
| Derivative Financial Instruments                  | 5,898             | -                 | 61,913            | (90)                     |
| Financial Instruments (Zero Strike Call)          | 129,075           | 162,105           | 164,278           | (21)                     |
| Assets classified as held for sale                | 315,053           | -                 | -                 | n.a.                     |
| <b>Total current assets</b>                       | <b>6,943,928</b>  | <b>5,813,149</b>  | <b>5,702,710</b>  | <b>22</b>                |
| <b>NON CURRENT ASSETS</b>                         |                   |                   |                   |                          |
| Restricted cash                                   | 93,908            | 170,644           | 161,955           | (42)                     |
| Property, plant and equipment, net                | 16,105,524        | 18,276,700        | 19,275,810        | (16)                     |
| Long-term accounts receivable                     | -                 | 8,716             | -                 | n.a.                     |
| Intangible assets, net                            | 1,405,387         | 1,413,064         | 1,508,512         | (7)                      |
| Deferred income taxes                             | 2,873,075         | 3,566,299         | 3,747,710         | (23)                     |
| Investment in shares of associated co. & other    | 294,535           | 157,295           | 139,427           | >100                     |
| Derivative financial instruments                  | 17,693            | -                 | -                 | n.a.                     |
| Other assets                                      | 421,752           | 400,316           | 217,646           | 94                       |
| <b>Total non current assets</b>                   | <b>21,211,874</b> | <b>23,993,033</b> | <b>25,051,059</b> | <b>(15)</b>              |
| <b>TOTAL ASSETS</b>                               | <b>28,155,802</b> | <b>29,806,182</b> | <b>30,753,769</b> | <b>(8)</b>               |
| <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>     |                   |                   |                   |                          |
| <b>CURRENT LIABILITIES</b>                        |                   |                   |                   |                          |
| Account payable & Accrued expenses                | 3,547,032         | 3,482,360         | 3,881,152         | (9)                      |
| Accrued Interest                                  | 123,847           | 294,305           | 145,681           | (15)                     |
| Short-term debt                                   | -                 | -                 | 700,000           | n.a.                     |
| Current portion of long-term debt                 | 341,981           | 488,394           | 533,253           | (36)                     |
| Taxes payable                                     | 13,081            | 38,812            | 18,616            | (30)                     |
| Derivative Financial Instruments                  | 39,258            | 25,627            | -                 | n.a.                     |
| Deferred Revenue                                  | 536,452           | 279,386           | 312,121           | 72                       |
| Provisions  | 312,384           | 21,440            | 117,908           | >100                     |
| Other accounts payable                            | 3,863,865         | 3,044,866         | 2,195,956         | 76                       |
| <b>Total current liabilities</b>                  | <b>8,777,900</b>  | <b>7,675,191</b>  | <b>7,904,687</b>  | <b>11</b>                |
| <b>LONG-TERM LIABILITIES</b>                      |                   |                   |                   |                          |
| Long-term debt                                    | 15,156,918        | 19,139,025        | 19,043,735        | (20)                     |
| Derivative Financial Instruments                  | -                 | 41,034            | -                 | n.a.                     |
| Employee Benefits                                 | 592,037           | 646,049           | 588,696           | 1                        |
| Other LT liabilities                              | 8,040             | 3,279             | 724,249           | (99)                     |
| <b>Total long-term debt</b>                       | <b>15,756,995</b> | <b>19,829,387</b> | <b>20,356,680</b> | <b>(23)</b>              |
| <b>TOTAL LIABILITIES</b>                          | <b>24,534,895</b> | <b>27,504,577</b> | <b>28,261,368</b> | <b>(13)</b>              |
| <b>STOCKHOLDERS EQUITY</b>                        |                   |                   |                   |                          |
| Capital stock                                     | 464,371           | 464,371           | 464,371           | 0                        |
| Additional paid-in capital                        | 159,551           | 159,551           | 159,551           | 0                        |
| Reserve for repurchase of shares                  | -                 | -                 | -                 | n.a.                     |
| Cumulative earnings (losses)                      | 2,996,985         | 1,677,683         | 1,868,480         | 60                       |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                 | <b>3,620,907</b>  | <b>2,301,605</b>  | <b>2,492,402</b>  | <b>45</b>                |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <b>28,155,802</b> | <b>29,806,182</b> | <b>30,753,769</b> | <b>(8)</b>               |



**Axtel, S.A.B. de C.V. and Subsidiaries**  
Unaudited Consolidated Income Statement  
*(in Thousand Mexican pesos)*

|  | 4Q18             | 3Q18             | 4Q17             | (% 4Q18 vs.) |             | LTM'18           | LTM'17        | Δ%              |
|--|------------------|------------------|------------------|--------------|-------------|------------------|---------------|-----------------|
|  |                  |                  |                  | 3Q18         | 4Q17        |                  |               |                 |
| Total Revenues                             | 3,446,007        | 3,139,869        | 3,561,102        | 10           | (3)         | 12,788,484       | 12,544,101    | 2               |
| Operating cost and expenses                |                  |                  |                  |              |             |                  |               |                 |
| Cost of sales and services                 | (1,044,640)      | (759,197)        | (1,133,363)      | 38           | (8)         | (3,357,117)      | (3,441,394)   | (2)             |
| Selling, administrative and other expenses | (1,355,681)      | (1,348,686)      | (1,436,325)      | 1            | (6)         | (5,320,103)      | (5,332,522)   | (0)             |
| Other income (expenses), net               | 50,955           | 13,299           | 176,017          | >100         | (71)        | 281,503          | 530,022       | (47)            |
| Asset impairment                           | (11,862)         | (16,335)         | (1,535)          | (27)         | >100        | (74,574)         | (11,724)      | >100%           |
| Depreciation and amortization Cost         | (713,880)        | (775,723)        | (690,902)        | (8)          | 3           | (2,933,861)      | (2,780,455)   | 6               |
| Depreciation and amortization Expenses     | (204,897)        | (174,204)        | (152,381)        | 18           | 34          | (688,852)        | (572,671)     | 20              |
|  | (3,280,005)      | (3,060,844)      | (3,238,489)      | 7            | 1           | (12,093,004)     | (11,608,744)  | 4               |
| Operating income (loss)                    | 166,002          | 79,025           | 322,613          | >100         | (49)        | 695,481          | 935,356       | (26)            |
| Comprehensive financing result:            |                  |                  |                  |              |             |                  |               |                 |
| Interest expense                           | (505,466)        | (472,961)        | (532,033)        | 7            | (5)         | (1,868,618)      | (1,646,533)   | 13              |
| Interest income                            | 17,715           | 9,948            | 18,340           | 78           | (3)         | 52,129           | 56,699        | (8)             |
| Foreign exchange gain (loss), net          | (479,084)        | (12,218)         | (1,216,743)      | >100         | (61)        | 186,888          | 648,280       | (71)            |
| Change in fair value of fin. instruments   | (33,029)         | (10,003)         | 55,651           | >100         | n.a.        | (35,202)         | 27,053        | n.a.            |
| Comprehensive financing result, net        | (999,863)        | (485,235)        | (1,674,786)      | >100         | (40)        | (1,664,803)      | (914,501)     | 82              |
| Equity in results of associated company    | 0                | 0                | 0                | >100         | >100        | 0                | (0)           | n.a.            |
| Income (loss) before income taxes,         | (833,861)        | (406,209)        | (1,352,173)      | >100         | (38)        | (969,323)        | 20,855        | n.a.            |
| Income taxes:                              |                  |                  |                  |              |             |                  |               |                 |
| Current                                    | (10,460)         | (1,173)          | (25,503)         | >100         | (59)        | (71,153)         | (115,834)     | (39)            |
| Deferred                                   | 173,795          | (189,566)        | 373,447          | n.a.         | (53)        | 33,815           | (171,709)     | n.a.            |
| Total income taxes                         | 163,335          | (190,739)        | 347,944          | n.a.         | (53)        | (37,338)         | (287,544)     | (87)            |
| Discontinued Operations                    | 1,912,350        | 55,444           | 81,214           | >100         | >100        | 2,101,339        | 328,862       | >100%           |
| <b>Net Income (Loss)</b>                   | <b>1,241,823</b> | <b>(541,504)</b> | <b>(923,015)</b> | <b>n.a.</b>  | <b>n.a.</b> | <b>1,094,678</b> | <b>62,173</b> | <b>&gt;100%</b> |

**Axtel, S.A.B. de C.V. and Subsidiaries**  
Discontinued Operations – Mass Market  
*(in Thousand Mexican pesos)*

|                                      | 4Q18             | 3Q18          | 4Q17          | (% 4Q18 vs.)    |                 | LTM'18           | LTM'17         | Δ%              |
|--------------------------------------|------------------|---------------|---------------|-----------------|-----------------|------------------|----------------|-----------------|
|                                      |                  |               |               | 3Q18            | 4Q17            |                  |                |                 |
| Revenues                             | 684,980          | 689,117       | 725,293       | -1%             | -6%             | 2,772,752        | 2,968,989      | (7)             |
| Costs & Expenses                     | (738,680)        | (609,911)     | (609,273)     | 21%             | 21%             | (2,556,468)      | (2,498,692)    | 2               |
| Other income                         | 2,785,628        | -             | -             | NA              | NA              | 2,785,628        | -              | n.a.            |
| Tax                                  | (819,579)        | (23,762)      | (34,806)      | >100%           | >100%           | (900,574)        | (141,436)      | >100%           |
| <b>Total Discontinued Operations</b> | <b>1,912,350</b> | <b>55,444</b> | <b>81,214</b> | <b>&gt;100%</b> | <b>&gt;100%</b> | <b>2,101,339</b> | <b>328,862</b> | <b>&gt;100%</b> |

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

### Revenues Reconciliation

(in Thousand Mexican pesos)

|                                       | 4Q18             | 3Q18             | 4Q17             | (% 4Q18 vs.) |            | LTM'18            | LTM'17            | Δ%       |
|---------------------------------------|------------------|------------------|------------------|--------------|------------|-------------------|-------------------|----------|
|                                       |                  |                  |                  | 3Q18         | 4Q17       |                   |                   |          |
| Revenues                              | 3,446,007        | 3,139,869        | 3,561,102        | 10           | (3)        | 12,788,484        | 12,544,101        | 2        |
| Revenues from Discontinued Operations | 684,980          | 689,117          | 725,293          | (1)          | (6)        | 2,772,752         | 2,968,989         | (7)      |
| <b>Adjusted Revenues</b>              | <b>4,130,988</b> | <b>3,828,986</b> | <b>4,286,395</b> | <b>8</b>     | <b>(4)</b> | <b>15,561,237</b> | <b>15,513,090</b> | <b>0</b> |

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

### EBITDA Reconciliation

(in Thousand Mexican pesos)

|  | 4Q18             | 3Q18             | 4Q17             | (% 4Q18 vs.)   |                | LTM'18           | LTM'17           | Δ%             |
|--|------------------|------------------|------------------|----------------|----------------|------------------|------------------|----------------|
|  |                  |                  |                  | 3Q18           | 4Q17           |                  |                  |                |
| Operating income (loss)                    | 166,002          | 79,025           | 322,613          | >100           | (49)           | 695,481          | 935,356          | (26)           |
| Asset impairment                           | 11,862           | 16,335           | 1,535            | (27)           | >100           | 74,574           | 11,724           | >100           |
| Depreciation and amortization              | 918,777          | 949,927          | 843,282          | (3)            | 9              | 3,622,713        | 3,353,126        | 8              |
| <b>EBITDA</b>                              | <b>1,096,641</b> | <b>1,045,287</b> | <b>1,167,430</b> | <b>5</b>       | <b>(6)</b>     | <b>4,392,767</b> | <b>4,300,206</b> | <b>2</b>       |
| Discontinued Operations (Mass Market)      |                  |                  |                  |                |                |                  |                  |                |
| Revenues                                   | 684,980          | 689,117          | 725,293          | (1)            | (6)            | 2,772,752        | 2,968,989        | (7)            |
| Cost of sales and services                 | (131,676)        | (111,926)        | (124,787)        | 18             | 6              | (479,043)        | (505,773)        | (5)            |
| Selling, administrative and other expenses | (300,893)        | (311,174)        | (318,141)        | (3)            | (5)            | (1,231,732)      | (1,312,208)      | (6)            |
| Other income (expenses), net - FTTx Sale   | 2,785,628        | -                | -                | n.a.           | n.a.           | 2,785,628        | -                | n.a.           |
| <b>EBITDA Discontinued Operations</b>      | <b>3,038,040</b> | <b>266,017</b>   | <b>282,365</b>   | <b>&gt;100</b> | <b>&gt;100</b> | <b>3,847,606</b> | <b>1,151,009</b> | <b>&gt;100</b> |
| <b>Adjusted EBITDA</b>                     | <b>4,134,681</b> | <b>1,311,304</b> | <b>1,449,795</b> | <b>&gt;100</b> | <b>&gt;100</b> | <b>8,240,373</b> | <b>5,451,215</b> | <b>51</b>      |

### 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)