

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2011**

AXTEL, S.A.B. DE C.V.

BALANCE SHEETS

TO SEPTEMBER 30 OF 2011 AND 2010

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
s01	TOTAL ASSETS	21,422,950	100	22,410,783	100
s02	CURRENT ASSETS	3,819,751	18	4,497,447	20
s03	CASH AND AVAILABLE INVESTMENTS	643,451	3	1,182,271	5
s04	ACCOUNTS AND NOTES RECEIVABLE (NET)	2,242,526	10	2,270,949	10
s05	OTHER ACCOUNTS AND NOTES RECEIVABLE (NET)	336,251	2	478,434	2
s06	INVENTORIES	134,054	1	160,280	1
s07	OTHER CURRENT ASSETS	463,469	2	405,513	2
s08	LONG-TERM	66,582	0	58,409	0
s09	ACCOUNTS AND NOTES RECEIVABLE (NET)	19,895	0	16,849	0
s10	INVESTMENTS IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	9,749	0	9,811	0
s11	OTHER INVESTMENTS	36,938	0	31,749	0
s12	PROPERTY, PLANT AND EQUIPMENT (NET)	15,209,176	71	15,597,574	70
s13	LAND AND BUILDINGS	430,990	2	430,990	2
s14	MACHINERY AND INDUSTRIAL EQUIPMENT	27,300,529	127	25,545,131	114
s15	OTHER EQUIPMENT	3,798,880	18	3,470,983	15
s16	ACCUMULATED DEPRECIATION	18,866,640	88	15,970,479	71
s17	CONSTRUCTION IN PROGRESS	2,545,417	12	2,120,949	9
s18	OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)	677,641	3	779,802	3
s19	OTHER ASSETS	1,649,800	8	1,477,551	7
s20	TOTAL LIABILITIES	14,509,790	100	14,527,057	100
s21	CURRENT LIABILITIES	3,791,799	26	4,444,705	31
s22	SUPPLIERS	2,277,275	16	2,777,523	19
s23	BANK LOANS	341,276	2	0	0
s24	STOCK MARKET LOANS	0	0	0	0
s103	OTHER LOANS WITH COST	249,988	2	697,872	5
s25	TAXES PAYABLE	134,940	1	115,493	1
s26	OTHER CURRENT LIABILITIES WITHOUT COST	788,320	5	853,817	6
s27	LONG-TERM LIABILITIES	10,548,374	73	9,916,702	68
s28	BANK LOANS	0	0	0	0
s29	STOCK MARKET LOANS	10,267,601	71	9,563,342	66
s30	OTHER LOANS WITH COST	280,773	2	353,360	2
s31	DEFERRED LIABILITIES	83,792	1	99,704	1
s32	OTHER NON CURRENT LIABILITIES WITHOUT COST	85,825	1	65,946	0
s33	CONSOLIDATED STOCKHOLDERS EQUITY	6,913,160	100	7,883,726	100
s34	COUNTABLE CAPITAL OF THE PARTICIPATION NOT CONTROLADORA	0	0	0	0
s35	COUNTABLE CAPITAL OF THE PARTICIPATION CONTROLADORA	6,913,160	100	7,883,726	100
s36	CONTRIBUTED CAPITAL	8,303,746	120	8,303,746	105
s79	CAPITAL STOCK	7,562,075	109	7,562,075	96
s39	PREMIUM ON ISSUANCE OF SHARES	741,671	11	741,671	9
s40	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0	0	0
s41	EARNED CAPITAL	-1,390,586	-20	-420,020	-5
s42	RETAINED EARNINGS AND CAPITAL RESERVES	-1,372,265	-20	-304,864	-4
s44	OTHER ACCUMULATED COMPREHENSIVE RESULT	-18,321	0	-115,156	-1
s80	SHARES REPURCHASED	0	0	0	0

MEXICAN STOCK EXCHANGE

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QUARTER: **03** YEAR: **2011**

BALANCE SHEETS

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
s03	CASH AND AVAILABLE INVESTMENTS	643,451	100	1,182,271	100
s46	CASH	464,201	72	194,202	16
s47	AVAILABLE INVESTMENTS	179,250	28	988,069	84
s07	OTHER CURRENT ASSETS	463,469	100	405,513	100
s81	DERIVATIVE FINANCIAL INSTRUMENTS	178,429	38	136,074	34
s82	DISCONTINUED OPERATIONS	0	0	0	0
s83	OTHER	285,040	62	269,439	66
s18	OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)	677,641	100	779,802	100
s48	DEFERRED EXPENSES (NET)	677,641	100	779,802	100
s49	GOODWILL	0	0	0	0
s51	OTHER	0	0	0	0
s19	OTHER ASSETS	1,649,800	100	1,477,551	100
s85	DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
s50	DEFERRED TAXES	1,529,307	93	1,347,764	91
s104	BENEFITS TO EMPLOYEES	0	0	0	0
s86	DISCONTINUED OPERATIONS	0	0	0	0
s87	OTHER	120,493	7	129,787	9
s21	CURRENT LIABILITIES	3,791,799	100	4,444,705	100
s52	FOREIGN CURRENCY LIABILITIES	1,286,012	34	1,726,996	39
s53	MEXICAN PESOS LIABILITIES	2,505,787	66	2,717,709	61
s26	OTHER CURRENT LIABILITIES WITHOUT COST	788,320	100	853,817	100
s88	DERIVATIVE FINANCIAL INSTRUMENTS	13,953	2	105,237	12
s89	INTEREST LIABILITIES	65,933	8	60,112	7
s68	PROVISIONS	0	0	0	0
s90	DISCONTINUED OPERATIONS	0	0	0	0
s58	OTHER CURRENT LIABILITIES	708,434	90	688,468	81
s105	BENEFITS TO EMPLOYEES	0	0	0	0
s27	LONG-TERM LIABILITIES	10,548,374	100	9,916,702	100
s59	FOREIGN CURRENCY LIABILITIES	10,458,064	99	9,802,107	99
s60	MEXICAN PESOS LIABILITIES	90,310	1	114,595	1
s31	DEFERRED LIABILITIES	83,792	100	99,704	100
s65	NEGATIVE GOODWILL	0	0	0	0
s67	OTHER	83,792	100	99,704	100
s32	OTHER NON CURRENT LIABILITIES WITHOUT COST	85,825	100	65,946	100
s66	DEFERRED TAXES	0	0	0	0
s91	OTHER LIABILITIES IN RESPECT OF SOCIAL INSURANCE	85,825	100	65,946	100
s92	DISCONTINUED OPERATIONS	0	0	0	0
s69	OTHER LIABILITIES	0	0	0	0
s79	CAPITAL STOCK	7,562,075	100	7,562,075	100
s37	CAPITAL STOCK (NOMINAL)	6,625,536	88	6,625,536	88
s38	RESTATEMENT OF CAPITAL STOCK	936,539	12	936,539	12

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BALANCE SHEETS

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
s42	RETAINED EARNINGS AND CAPITAL RESERVES	-1,372,265	100	-304,864	100
s93	LEGAL RESERVE	0	0	0	0
s43	RESERVE FOR REPURCHASE OF SHARES	162,334	-12	162,334	-53
s94	OTHER RESERVES	0	0	0	0
s95	RETAINED EARNINGS	-559,955	41	-273,926	90
s45	NET INCOME FOR THE YEAR	-974,644	71	-193,272	63
s44	OTHER ACCUMULATED COMPREHENSIVE RESULT	-18,321	100	-115,156	100
s70	ACCUMULATED MONETARY RESULT	0	0	0	0
s71	RESULT FROM HOLDING NON-MONETARY ASSETS	0	0	0	0
s96	CUMULATIVE RESULT FROM FOREIGN CURRENCY TRANSLATION	0	0	0	0
s97	CUMULATIVE RESULT FROM DERIVATIVE FINANCIAL INSTRUMENTS	-18,321	100	-115,156	100
s98	CUMULATIVE EFFECT OF DEFERRED INCOME TAXES	0	0	0	0
s100	OTHER	0	0	0	0

MEXICAN STOCK EXCHANGE

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BALANCE SHEETS

OTHER CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
s72	WORKING CAPITAL	27,952	52,742
s73	PENSIONS AND SENIORITY PREMIUMS	0	0
s74	EXECUTIVES (*)	201	214
s75	EMPLOYEES (*)	6,021	6,688
s76	WORKERS (*)	1,605	1,602
s77	OUTSTANDING SHARES (*)	8,769,353,223	8,769,353,223
s78	REPURCHASED SHARES (*)	0	0
s101	RESTRICTED CASH	55,797	26,264
s102	DEBT OF NON CONSOLIDATED COMPANIES	0	0

(*) THESE CONCEPTS ARE STATED IN UNITS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **03** YEAR: **2011**

STATEMENTS OF INCOME

FROM JANUARY THE 1st TO SEPTEMBER 30 OF 2011 AND 2010

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
r01	NET SALES	8,061,022	100	7,928,598	100
r02	COST OF SALES	2,121,388	26	2,183,398	28
r03	GROSS PROFIT	5,939,634	74	5,745,200	72
r04	GENERAL EXPENSES	5,614,372	70	5,534,613	70
r05	INCOME (LOSS) FROM OPERATION	325,262	4	210,587	3
r08	OTHER INCOME AND (EXPENSE), NET	-30,301	0	-54,615	0
r06	COMPREHENSIVE FINANCING RESULT	-1,519,232	-19	-433,139	-5
r12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	-59	0	10	0
r48	NON ORDINARY ITEMS	0	0	0	0
r09	INCOME BEFORE INCOME TAXES	-1,224,330	-15	-277,157	-3
r10	INCOME TAXES	-249,686	-3	-83,885	-1
r11	INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS	-974,644	-12	-193,272	-2
r14	DISCONTINUED OPERATIONS	0	0	0	0
r18	NET CONSOLIDATED INCOME	-974,644	-12	-193,272	-2
r19	NET INCOME OF PARTICIPATION NOT CONTROLADORA	0	0	0	0
r20	NET INCOME OF PARTICIPATION CONTROLADORA	-974,644	-12	-193,272	-2

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QUARTER: **03** YEAR: **2011**

STATEMENTS OF INCOME

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
r01	NET SALES	8,061,022	100	7,928,598	100
r21	DOMESTIC	8,061,022	100	7,928,598	100
r22	FOREIGN	0	0	0	0
r23	TRANSLATED INTO DOLLARS (***)	0	0	0	0
r08	OTHER INCOME AND (EXPENSE), NET	-30,301	100	-54,615	100
r49	OTHER INCOME AND (EXPENSE), NET	-24,764	82	-54,294	99
r34	EMPLOYEES PROFIT SHARING EXPENSES	2,947	-10	2,165	-4
r35	DEFERRED EMPLOYEES PROFIT SHARING	2,590	-9	-1,844	3
r06	COMPREHENSIVE FINANCING RESULT	-1,519,232	100	-433,139	100
r24	INTEREST EXPENSE	743,661	-49	700,117	-162
r42	GAIN (LOSS) ON RESTATEMENT OF UDIS	0	0	0	0
r45	OTHER FINANCE COSTS	62,441	-4	85,436	-20
r26	INTEREST INCOME	33,236	-2	17,967	-4
r46	OTHER FINANCIAL PRODUCTS	0	0	0	0
r25	FOREIGN EXCHANGE GAIN (LOSS) (NET)	-746,366	49	334,447	-77
r28	RESULT FROM MONETARY POSITION	0	0	0	0
r10	INCOME TAXES	-249,686	100	-83,885	100
r32	INCOME TAX	34,740	-14	48,706	-58
r33	DEFERRED INCOME TAX	-284,426	114	-132,591	158

(***) FIGURES IN THOUSANDS OF U.S. DOLLARS AT THE EXCHANGE RATE AS OF THE END OF THE LAST REPORTED QUARTER

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QUARTER: **03** YEAR: **2011**

STATEMENTS OF INCOME

OTHER CONCEPTS
 (Thousand Pesos)

CONSOLIDATED

Final Printing

REF R	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
r36	TOTAL SALES	8,061,022	7,928,598
r37	TAX RESULT FOR THE YEAR	0	0
r38	NET SALES (**)	10,784,385	10,625,210
r39	OPERATING INCOME (**)	355,458	385,020
r40	NET INCOME OF PARTICIPATION CONTROLADORA(**)	-1,067,401	-96,749
r41	NET CONSOLIDATED INCOME (**)	-1,067,401	-96,749
r47	OPERATIVE DEPRECIATION AND ACCUMULATED	2,348,802	2,222,942

(**) RESTATED INFORMATION OF THE LAST TWELVE MONTHS

MEXICAN STOCK EXCHANGE

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AXTEL, S.A.B. DE C.V.

QUARTER: **03** YEAR: **2011**

QUARTERLY STATEMENTS OF INCOME

FROM JULY 1 TO SEPTEMBER 30 OF 2011

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF RT	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
rt01	NET SALES	2,713,156	100	2,699,680	100
rt02	COST OF SALES	671,161	25	741,077	27
rt03	GROSS PROFIT	2,041,995	75	1,958,603	73
rt04	GENERAL EXPENSES	1,890,796	70	1,891,031	70
rt05	INCOME (LOSS) FROM OPERATION	151,199	6	67,572	3
rt08	OTHER INCOME AND (EXPENSE), NET	-31,512	-1	-7,478	0
rt06	COMPREHENSIVE FINANCING RESULT	-1,433,263	-53	-134,916	-5
rt12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	0	0	4	0
rt48	NON ORDINARY ITEMS	0	0	0	0
rt09	INCOME BEFORE INCOME TAXES	-1,313,576	-48	-74,818	-3
rt10	INCOME TAXES	-292,510	-11	-56,082	-2
rt11	INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS	-1,021,066	-38	-18,736	0
rt14	DISCONTINUED OPERATIONS	0	0	0	0
rt18	NET CONSOLIDATED INCOME	-1,021,066	-38	-18,736	0
rt19	NET INCOME OF PARTICIPATION NOT CONTROLADORA	0	0	0	0
rt20	NET INCOME OF PARTICIPATION CONTROLADORA	-1,021,066	-38	-18,736	0

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QUARTER: **03** YEAR: **2011**

QUARTERLY STATEMENTS OF INCOME

BREAKDOWN OF MAIN CONCEPTS

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF RT	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
rt0	NET SALES	2,713,156	100	2,699,680	100
rt21	DOMESTIC	2,713,156	100	2,699,680	100
rt22	FOREIGN	0	0	0	0
rt23	TRANSLATED INTO DOLLARS (***)	0	0	0	0
rt08	OTHER INCOME AND (EXPENSE), NET	-31,512	100	-7,478	100
rt49	OTHER INCOME AND (EXPENSE), NET	-29,443	93	-5,888	79
rt34	EMPLOYEES PROFIT SHARING EXPENSES	1,629	-5	1,275	-17
rt35	DEFERRED EMPLOYEES PROFIT SHARING	440	-1	315	-4
rt06	COMPREHENSIVE FINANCING RESULT	-1,433,263	100	-134,916	100
rt24	INTEREST EXPENSE	262,701	-18	246,636	-183
rt42	GAIN (LOSS) ON RESTATEMENT OF UDIS	0	0	0	0
rt45	OTHER FINANCE COSTS	43,284	-3	12,817	-9
rt26	INTEREST INCOME	20,474	-1	5,923	-4
rt46	OTHER FINANCIAL PRODUCTS	0	0	0	0
rt25	FOREIGN EXCHANGE GAIN (LOSS) (NET)	-1,147,752	80	118,614	-88
rt28	RESULT FROM MONETARY POSITION	0	0	0	0
rt10	INCOME TAXES	-292,510	100	-56,082	100
rt32	INCOME TAX	13,637	-5	26,456	-47
rt33	DEFERRED INCOME TAX	-306,147	105	-82,538	147

(***) FIGURES IN THOUSANDS OF U.S. DOLLARS AT THE EXCHANGE RATE AS OF THE END OF THE LAST REPORTED QUARTER

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AXTEL, S.A.B. DE C.V.

QUARTER: **03** YEAR: **2011**

QUARTERLY STATEMENTS OF INCOME

OTHER CONCEPTS
(Thousand Pesos)

CONSOLIDATED

Final Printing

REF RT	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
rt47	OPERATIVE DEPRECIATION AND ACCUMULATED IMPAIRMENT LOSSES	768,109	766,902

MEXICAN STOCK EXCHANGE

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QUARTER: **03**

YEAR: **2011**

AXTEL, S.A.B. DE C.V.

STATE OF CASH FLOW (INDIRECT METHOD)

Final Printing

MAIN CONCEPTS

(Thousand Pesos)

CONSOLIDATED

REF F	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
	ACTIVITIES OF OPERATION		
e01	INCOME (LOSS) BEFORE INCOME TAXES	-1,224,330	-277,157
e02	+ (-)ITEMS NOT REQUIRING CASH	5,537	321
e03	+ (-)ITEMS RELATED TO INVESTING ACTIVITIES	2,420,257	2,234,816
e04	+ (-)ITEMS RELATED TO FINANCING ACTIVITIES	801,425	791,048
e05	CASH FLOW BEFORE INCOME TAX	2,002,889	2,749,028
e06	CASH FLOW PROVIDED OR USED IN OPERATION	-537,753	-27,108
e07	NET CASH FLOWS PROVIDED OF OPERATING ACTIVITIES	1,465,136	2,721,920
	INVESTMENT ACTIVITIES		
e08	NET CASH FLOW FROM INVESTING ACTIVITIES	-1,720,200	-2,626,848
e09	FINANCING ACTIVITIES	-255,064	95,072
	FINANCING ACTIVITIES		
e10	NET CASH FROM FINANCING ACTIVITIES	-1,156,115	19,406
e11	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	-1,411,179	114,478
e12	TRANSLATION DIFFERENCES IN CASH AND CASH EQUIVALENTS	746,366	-334,447
e13	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	1,308,264	1,402,240
e14	CASH AND CASH EQUIVALENTS AT END OF PERIOD	643,451	1,182,271

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AXTEL, S.A.B. DE C.V.

STATE OF CASH FLOW (INDIRECT METHOD)

Final Printing

BREAKDOWN OF MAIN CONCEPTS

(Thousand Pesos)

CONSOLIDATED

REF F	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
e02	+ (-)ITEMS NOT REQUIRING CASH	5,537	321
e15	+ESTIMATES FOR THE PERIOD	0	0
e16	+PROVISIONS FOR THE PERIOD	5,537	321
e17	+ (-)OTHER UNREALIZED ITEMS	0	0
e03	+ (-)ITEMS RELATED TO INVESTING ACTIVITIES	2,420,257	2,234,816
e18	+ DEPRECIATION AND AMORTIZATION FOR THE PERIOD	2,348,802	2,222,942
e19	(-) +GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	71,396	11,884
e20	+IMPAIRMENT LOSS	0	0
e21	(-) +EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES	59	-10
e22	(-)DIVIDENDS RECEIVED	0	0
e23	(-)INTEREST INCOME	0	0
e24	(-)+ OTHER ITEMS	0	0
e04	+ (-)ITEMS RELATED TO FINANCING ACTIVITIES	801,425	791,048
e25	+ACCRUED INTEREST	743,661	700,117
e26	+ (-) OTHER ITEMS	57,764	90,931
e06	CASH FLOW PROVIDED OR USED IN OPERATION	-537,753	-27,108
e27	+ (-)DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE	-1,992	-844,298
e28	+ (-)DECREASE (INCREASE) IN INVENTORIES	31,575	10,401
e29	+ (-)DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE	67,133	-16,348
e30	+ (-)INCREASE (DECREASE) IN SUPPLIERS	-446,668	863,590
e31	+ (-)INCREASE (DECREASE) IN OTHER LIABILITIES	-150,771	-14,278
e32	+ (-) INCOME TAXES PAID OR RETURNED	-37,030	-26,175
e08	NET CASH FLOW FROM INVESTING ACTIVITIES	-1,720,200	-2,626,848
e33	-PERMANENT INVESTMENT IN SHARES	0	0
e34	+DISPOSITION OF PERMANENT INVESTMENT IN SHARES	0	0
e35	-INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	-1,741,725	-2,528,348
e36	+SALE OF PROPERTY, PLANT AND EQUIPMENT	0	0
e37	-INVESTMENT IN INTANGIBLE ASSETS	0	0
e38	+DISPOSITION OF INTANGIBLE ASSETS	0	0
e39	-OTHER PERMANENT INVESTMENTS	-2,404	-25,256
e40	+DISPOSITION OF OTHER PERMANENT INVESTMENTS	0	0
e41	+ DIVIDEND RECEIVED	0	0
e42	+INTEREST RECEIVED	0	0
e43	+ (-)DECREASE (INCREASE) ADVANCES AND LOANS TO THIRD PARTS	0	0
e44	+ (-)OTHER ITEMS	23,929	-73,244
e10	NET CASH FROM FINANCING ACTIVITIES	-1,156,115	19,406
e45	+BANK FINANCING	0	408,634
e46	+STOCK MARKET FINANCING	0	2,369,851
e47	+OTHER FINANCING	0	0
e48	(-)BANK FINANCING AMORTIZATION	-10,725	-1,757,087
e49	(-)STOCK MARKET FINANCING AMORTIZATION	0	0
e50	(-)OTHER FINANCING AMORTIZATION	-111,618	-135,835
e51	+ (-)INCREASE (DECREASE) IN CAPITAL STOCK	0	0
e52	(-)DIVIDENDS PAID	0	0
e53	+PREMIUM ON ISSUANCE OF SHARES	0	0
e54	+CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
e55	-INTEREST EXPENSE	-939,928	-845,309
e56	-REPURCHASE OF SHARES	0	0
e57	+ (-)OTHER ITEMS	-93,844	-20,848

* IN CASE THAT THIS AMOUNT IS DIFFERENT FROM THE R47 ACCOUNT IT WILL HAVE TO EXPLAIN IN NOTES.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **03** YEAR: **2011**

DATA PER SHARE

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REF D	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		AMOUNT	AMOUNT
d01	BASIC PROFIT PER ORDINARY SHARE (**)	\$ -0.12	\$ -0.01
d02	BASIC PROFIT PER PREFERRED SHARE (**)	\$ 0	\$ 0.00
d03	DILUTED PROFIT PER ORDINARY SHARE (**)	\$ 0	\$ 0.00
d04	EARNINGS (LOSS) BEFORE DISCONTINUED OPERATIONS PER COMMON SHARE (**)	\$ -0.12	\$ -0.01
d05	DISCONTINUED OPERATIONS EFFECT ON EARNING (LOSS) PER SHARE (**)	\$ 0	\$ 0.00
d08	CARRYING VALUE PER SHARE	\$ 0.79	\$ 0.90
d09	CASH DIVIDEND ACCUMULATED PER SHARE	\$ 0	\$ 0.00
d10	DIVIDEND IN SHARES PER SHARE	0 shares	0.00 shares
d11	MARKET PRICE TO CARRYING VALUE	0.91 times	1.18 times
d12	MARKET PRICE TO BASIC PROFIT PER ORDINARY SHARE (**)	6.02 times	106.43 times
d13	MARKET PRICE TO BASIC PROFIT PER PREFERENT SHARE (**)	0 times	0.00 times

(**) TO CALCULATE THE DATA PER SHARE USE THE NET INCOME FOR THE LAST TWELVE MONTHS.

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REF P	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
	YIELD				
p01	NET CONSOLIDATED INCOME TO NET SALES	-12.09	%	-2.44	%
p02	NET CONSOLIDATED INCOME TO STOCKHOLDERS EQUITY (**)	-15.44	%	-1.23	%
p03	NET INCOME TO TOTAL ASSETS (**)	-4.98	%	-0.43	%
p04	CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME	0	%	0.00	%
p05	RESULT FROM MONETARY POSITION TO NET CONSOLIDATED INCOME	-0.00	%	-0.00	%
	ACTIVITY				
p06	NET SALES TO NET ASSETS (**)	0.50	times	0.47	times
p07	NET SALES TO PROPERTY, PLANT AND EQUIPMENT (NET) (**)	0.71	times	0.68	times
p08	INVENTORIES TURNOVER (**)	21.58	times	18.15	times
p09	ACCOUNTS RECEIVABLE IN DAYS OF SALES	65	days	67	days
p10	PAID INTEREST TO TOTAL LIABILITIES WITH COST (**)	8.74	%	8.95	%
	LEVERAGE				
p11	TOTAL LIABILITIES TO TOTAL ASSETS	67.73	%	64.82	%
p12	TOTAL LIABILITIES TO STOCKHOLDERS EQUITY	2.10	times	1.84	times
p13	FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES	80.94	%	79.36	%
p14	LONG-TERM LIABILITIES TO PROPERTY, PLANT AND EQUIPMENT (NET)	69.36	%	63.58	%
p15	INCOME (LOSS) AFTER GENERAL EXPENSES TO INTEREST PAID	0.44	times	0.30	times
p16	NET SALES TO TOTAL LIABILITIES (**)	0.74	times	0.73	times
	LIQUIDITY				
p17	CURRENT ASSETS TO CURRENT LIABILITIES	1.01	times	1.01	times
p18	CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES	0.97	times	0.98	times
p19	CURRENT ASSETS TO TOTAL LIABILITIES	0.26	times	0.31	times
p20	CASH AND SHORT-TERM INVESTMENTS TO CURRENT LIABILITIES	16.97	%	26.60	%

(**) IN THESE RATIOS FOR THE DATA TAKE INTO CONSIDERATION THE LAST TWELVE MONTHS.

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QUARTER: 03 YEAR: 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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SAN PEDRO GARZA GARCIA, MEXICO, OCTOBER 27, 2011 - AXTEL, S.A.B. DE C.V. ("AXTEL" OR "THE COMPANY"), A LEADING MEXICAN FIXED-LINE INTEGRATED TELECOMMUNICATIONS COMPANY, ANNOUNCED TODAY ITS UNAUDITED FIRST QUARTER RESULTS ENDED SEPTEMBER 30, 2011(1)

FOR ADDITIONAL INFORMATION, PLEASE CONTACT ADRIAN DE LOS SANTOS, INVESTOR RELATIONS OFFICER AND CORPORATE FINANCE DIRECTOR AT IR@AXTEL.COM.MX

HIGHLIGHTS:

AXTEL BROADBAND SUBSCRIBERS' BASE CONTINUED TO GROW AT ATTRACTIVE AND HIGHER THAN MARKET RATES, WITH NET ADDITIONS OF 31 THOUSAND IN THE THIRD QUARTER, OR 8% HIGHER THAN THE PREVIOUS QUARTER. THE NUMBER OF AXTEL X-TREMO OR FTTH CUSTOMERS ALSO CONTINUED GROWING, NOW REPRESENTING 8% OF THE 407 THOUSAND TOTAL BROADBAND SUBSCRIBERS' BASE.

INTERNATIONAL TRAFFIC REVENUES REPORTED A RELEVANT 24% INCREASE COMPARED TO THE PREVIOUS QUARTER. THIS RESULTED FROM THE COMPANY'S ABILITY TO NOW TERMINATE LONG-DISTANCE FIXED-TO-MOBILE TRAFFIC DIRECTLY THROUGH MOBILE CARRIERS IN ACCORDANCE WITH THE JUNE 2011 AGREEMENTS SIGNED WITH SUCH OPERATORS.

DURING THE QUARTER, THE COMPANY'S EBITDA INCREASED 10% COMPARED TO THE SAME QUARTER A YEAR EARLIER. THIS ALSO REPRESENTED AN EBITDA MARGIN INCREASE OF ALMOST 300 BASIS POINTS, REACHING A LEVEL OF 33.9% IN THIS QUARTER. THIS IMPROVEMENT OCCURRED DESPITE THE PHASING-OUT OF THE CONTRACT WITH A LARGE WHOLESALE CUSTOMER. EXCLUDING THIS NEGATIVE EFFECT, EBITDA WOULD HAVE INCREASED 14% YEAR-OVER-YEAR.

REVENUES FROM OPERATIONS

REVENUES FROM OPERATIONS TOTALED PS. 2,713 MILLION IN THE THIRD QUARTER OF YEAR 2011 FROM PS. 2,700 MILLION FOR THE SAME PERIOD IN 2010, AN INCREASE OF PS. 13 MILLION.

REVENUES FROM OPERATIONS TOTALED PS. 10,784 MILLION IN THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, COMPARED TO PS. 10,625 MILLION IN THE SAME PERIOD IN 2010, AN INCREASE OF PS. 159 MILLION, OR 1%.

SOURCES OF REVENUES

IMPORTANT DISCLOSURE. UNLESS OTHERWISE STATED, COMMENTS IN THIS SECTION EXCLUDE REVENUES GENERATED BY OUR LARGEST WHOLESALE CUSTOMER (SEE NOTE 9 FOR FURTHER INFORMATION).

LOCAL SERVICES. LOCAL SERVICE REVENUES TOTALED PS. 950 MILLION IN THE THIRD QUARTER OF 2011, COMPARED TO PS. 969 MILLION FOR SAME PERIOD IN 2010, REPRESENTING A DECREASE OF PS. 19 MILLION OR 2%, EXPLAINED BY PS. 25 AND PS. 24 MILLION DECREASES IN MEASURED SERVICES AND CELLULAR REVENUES, RESPECTIVELY, COMPENSATED BY A PS. 29 MILLION INCREASE IN MONTHLY RENTS, WHICH INCLUDE FREE LOCAL CALLS AND FIXED-TO-MOBILE (CELLULAR) MINUTES MODULES. THE 11% DECLINE IN CELLULAR REVENUE IS EXPLAINED BY A 13% DECREASE IN BILLED-TRAFFIC COMPENSATED BY A 2% INCREASE IN BILLED-TRAFFIC PRICES IN THE THIRD QUARTER 2011 COMPARED TO THE SAME PERIOD IN 2010. REVENUES COMING FROM MONTHLY RENTS REPRESENTED 73% OF LOCAL REVENUES DURING THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011, LOCAL REVENUES TOTALED PS. 3,847 MILLION, COMPARED TO PS. 3,881 MILLION REGISTERED IN THE SAME PERIOD IN 2010, A MARGINAL DECREASE OF PS. 34 MILLION OR 1%.

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LONG DISTANCE SERVICES.REVENUES TOTALED PS. 284 MILLION IN THE THIRD QUARTER OF 2011, COMPARED TO PS. 294 MILLION FOR SAME PERIOD IN 2010, REPRESENTING A DECREASE OF PS. 10 MILLION, EXPLAINED BY A 4% DECREASE IN BILLED-TRAFFIC PRICES PARTIALLY COMPENSATED BY A 1% INCREASE IN BILLED-TRAFFIC VOLUME FROM BUSINESS CUSTOMERS. FOR THE FULL-YEAR 2011, LONG DISTANCE REVENUES TOTALED PS. 1,161 MILLION COMPARED TO PS. 1,113 MILLION REGISTERED IN 2010, A PS. 48 MILLION, OR 4%, INCREASE.

DATA & NETWORK.DATA AND NETWORK REVENUES AMOUNTED TO PS. 639 MILLION IN THE THIRD QUARTER OF 2011, COMPARED TO PS. 612 MILLION IN THE SAME PERIOD IN 2010, AN INCREASE OF PS. 27 MILLION OR 4%, DRIVEN BY MASS-MARKET, OR, "ON-DEMAND" INTERNET SERVICES REVENUES THAT INCREASED 48% YEAR-OVER-YEAR WHILE THE COMBINATION OF DEDICATED INTERNET AND PRIVATE LINES REVENUES DECLINED 3%. DEDICATED INTERNET AND PRIVATE LINES REPRESENTED 79% OF DATA & NETWORK REVENUES DURING THE QUARTER. DURING 2011, DATA AND NETWORK SERVICES REVENUES TOTALED PS. 2,585 MILLION FROM PS. 2,422 MILLION REGISTERED IN 2010, AN INCREASE OF PS. 163 MILLION, OR 7%.

INTERNATIONAL TRAFFIC.IN THE THIRD QUARTER OF 2011, INTERNATIONAL TRAFFIC REVENUES TOTALED PS. 355 MILLION, A INCREASE OF PS. 40 MILLION OR 13% VERSUS SAME QUARTER OF PREVIOUS YEAR, EXPLAINED BY A 4% DECLINE IN TRAFFIC COMPENSATED BY A PRICE INCREASE DUE TO BETTER PRICING MIX, INCLUDING A HIGHER PROPORTION OF LONG-DISTANCE FIXED-TO-MOBILE TRAFFIC. THE LATTER IS EXPLAINED BY THE JUNE 2011 AGREEMENT SIGNED WITH MOBILE CARRIERS WHICH ALLOWS THE DIRECT TERMINATION OF THIS TRAFFIC AT COMPETITIVE INTERCONNECTION RATES. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011, REVENUES FROM INTERNATIONAL TRAFFIC TOTALED PS. 1,209 MILLION FROM PS. 1,224 MILLION, A DECREASE OF 1% COMPARED TO THE SAME PERIOD IN 2010, PARTIALLY EXPLAINED BY LOWER PRICES AND LESS FAVORABLE EXCHANGE RATES PREVAILING IN THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011 VIS-À-VIS THE SAME PERIOD IN 2010.

OTHER SERVICES.QUARTERLY REVENUES FROM OTHER SERVICES TOTALED PS. 381 MILLION IN THE THIRD QUARTER OF 2011, FROM PS. 358 MILLION IN THE SAME QUARTER OF PREVIOUS YEAR, AN INCREASE OF PS. 23 MILLION OR 6%, EXPLAINED BY AN INCREASE IN REVENUES FROM INTEGRATED SERVICES CONTRACTS AND A DECREASE IN REVENUES FROM INTERCONNECTION AND OTHER SERVICES. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011, REVENUES TOTALED PS. 1,426 MILLION FROM PS. 1,352 MILLION REGISTERED IN 2010, AN INCREASE OF PS. 74 MILLION, OR 5%.

CONSUMPTION

LOCAL CALLS.LOCAL CALLS EXCLUDING OUR LARGEST WHOLESALE CUSTOMER TOTALED 456 MILLION CALLS IN THE THIRD QUARTER OF 2011, COMPARED TO 483 MILLION CALLS FOR SAME PERIOD IN 2010, REPRESENTING A DECREASE OF PS. 27 MILLION CALLS, OR 6%. BILLED LOCAL CALLS DECREASED 26 MILLION OR 21%, WHILE LOCAL CALLS INCLUDED IN COMMERCIAL OFFERS REMAINED UNCHANGED. BUSINESS AND RESIDENTIAL CUSTOMERS CONTRIBUTED WITH 21 AND 5 MILLION CALLS TO THIS DECLINE, RESPECTIVELY. LOCAL CALLS INCLUDED IN COMMERCIAL OFFERS REPRESENTED 79% OF TOTAL CALLS IN THE THIRD QUARTER OF 2011. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011, LOCAL CALLS TOTALED 1,895 MILLION EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, COMPARED TO 1,790 MILLION REGISTERED IN THE SAME PERIOD IN 2010, AN INCREASE OF 105 MILLION CALLS, OR 6%.

CELLULAR ("CALLING PARTY PAYS"). MINUTES OF USE OF CALLS COMPLETED TO A CELLULAR LINE EXCLUDING OUR LARGEST WHOLESALE CUSTOMER AMOUNTED TO 156 MILLION IN THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, COMPARED TO 167 MILLION IN THE SAME PERIOD IN 2010, A DECREASE OF 7% EQUIVALENT TO 11 MILLION MINUTES. BILLED CELLULAR MINUTES DECREASED 18 MILLION OR 13%, WHILE MINUTES IN MODULES INCLUDED IN A MONTHLY RENT INCREASED 7 MILLION MINUTES OR 23%. BILLED CELLULAR MINUTES REPRESENTED 75% OF CELLULAR MINUTES IN THE THIRD QUARTER OF 2011. FOR THE YEAR 2011 AND EXCLUDING OUR LARGEST WHOLESALE CUSTOMER,

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CELLULAR MINUTES INCREASED 10 MILLION, OR 2%, FROM 624 MILLION REGISTERED IN THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2010, TO 634 MILLION IN 2011.

LONG DISTANCE. EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, WHICH REPRESENTS 11% OF TOTAL VOLUME, OUTGOING LONG DISTANCE MINUTES AMOUNTED TO 471 MILLION FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, FROM 458 MILLION IN THE SAME PERIOD IN 2010, A 3% OR 13 MILLION MINUTE INCREASE, RESULTING FROM 2% AND 5% INCREASES IN TRAFFIC FROM BUSINESS AND RESIDENTIAL CUSTOMERS, RESPECTIVELY. BILLED LONG DISTANCE MINUTES INCREASED 2 MILLION DURING THE THIRD QUARTER OF 2011 COMPARED TO THE SAME PERIOD IN 2010. DOMESTIC LONG DISTANCE MINUTES REPRESENTED 95% OF TOTAL TRAFFIC DURING THE QUARTER. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011 AND EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, OUTGOING LONG DISTANCE MINUTES AMOUNTED 1,897 MILLION, COMPARED TO 1,755 MILLION REGISTERED IN 2010, AN INCREASE OF 142 MILLION OF MINUTES, OR 8%, EXPLAINED BY INCREASED TRAFFIC FROM BUSINESS CUSTOMERS AND FURTHER PENETRATION OF MASS-MARKET OFFERS INCLUDING NATIONAL AND INTERNATIONAL LONG DISTANCE MINUTES WITHIN A MONTHLY RENT.

OPERATING DATA

RGUS AND CUSTOMERS. AS OF SEPTEMBER 30, 2011, RGUS (REVENUE GENERATING UNITS) TOTALED 1,447 THOUSAND, AN INCREASE OF 12% OR 155 THOUSAND FROM THE SAME DATE IN 2010. DURING THE THIRD QUARTER OF 2011, NET ADDITIONAL RGUS TOTALED 30 THOUSAND, COMPARED TO 61 THOUSAND IN THE THIRD QUARTER OF 2010, ATTRIBUTABLE TO LOWER CONTRIBUTIONS FROM BOTH VOICE AND BROADBAND RGUS. AS OF SEPTEMBER 30, 2011, TOTAL CUSTOMERS TOTALED 757 THOUSAND, AN INCREASE OF 2% OR 13 THOUSAND FROM THE SAME DATE IN 2010. CUSTOMER ADDITIONS DECLINED 1 THOUSAND IN THE QUARTER.

VOICE RGUS (LINES IN SERVICE). AS OF SEPTEMBER 30, 2011, LINES IN SERVICE TOTALED 1,040 THOUSAND, AN INCREASE OF 1% OR 15 THOUSAND FROM THE SAME DATE IN 2010. DURING THE THIRD QUARTER OF 2011, GROSS ADDITIONAL LINES TOTALED 76 THOUSAND COMPARED TO 86 THOUSAND IN THE THIRD QUARTER OF 2010. DISCONNECTIONS IN THE THIRD QUARTER OF 2011 TOTALED 75 THOUSAND COMPARED TO 69 THOUSAND IN THE YEAR-EARLIER QUARTER. VOICE-ONLY CUSTOMERS IN LOW-ARPU OFFERS REPRESENTED THE MAJORITY OF DISCONNECTIONS DURING THE QUARTER. NET-ADDS IN THE THIRD QUARTER OF 2011 RESULTED UNCHANGED, COMPARED TO 16 THOUSAND NET-ADDS IN THE SAME PERIOD OF 2010. AS OF SEPTEMBER 30, 2011, RESIDENTIAL LINES REPRESENTED 69% OF TOTAL LINES IN SERVICE.

BROADBAND RGUS (BROADBAND SUBSCRIBERS). BROADBAND SUBSCRIBERS INCREASED 52% YEAR-OVER-YEAR TOTALING 407 THOUSAND SUBS AS OF SEPTEMBER 30, 2011. DURING THE THIRD QUARTER OF 2011, BROADBAND SUBSCRIBERS INCREASED 31 THOUSAND COMPARED TO 44 THOUSAND IN THE SAME PERIOD OF 2010. CONTINUED POSITIVE RESPONSE FROM CUSTOMERS TO AXTEL'S "ACCESO UNIVERSAL" AND "AXTEL X-TREMO" SERVICES, OUR MARKETING EFFORTS, COMPETITIVE COMMERCIAL OFFERS AND THE RELIABILITY OF OUR NETWORK CONTRIBUTED TO INCREASE THE NUMBER OF BROADBAND SUBS IN THE THIRD QUARTER. BROADBAND PENETRATION REACHED 39% AT THE END OF THE THIRD QUARTER OF 2011, COMPARED TO 26% A YEAR AGO. AS OF THE END OF SEPTEMBER 2011, WIMAX BROADBAND SUBS REACHED 353 THOUSAND, COMPARED TO 231 THOUSAND A YEAR AGO, WHILE AXTEL X-TREMO, OR FTTH, CUSTOMERS TOTALED 32 THOUSAND.

INTERNET SUBSCRIBERS. AS OF SEPTEMBER 30, 2011, INTERNET SUBSCRIBERS TOTALED 415 THOUSAND, INCLUDING 8 THOUSAND DIAL-UP SUBSCRIBERS. AS OF SEPTEMBER 30, 2010, INTERNET SUBSCRIBERS REPRESENTED 279 THOUSAND, INCLUDING 12 THOUSAND DIAL-UP SUBS.

LINE EQUIVALENTS (E0 EQUIVALENTS). WE OFFER FROM 64 KILOBYTES PER SECOND ("KBPS") UP TO 100 MEGABYTES PER SECOND ("MBPS") DEDICATED DATA LINKS IN ALL OF OUR THIRTY-NINE EXISTING CITIES. WE ACCOUNT FOR DATA LINKS BY CONVERTING THEM TO E0 EQUIVALENTS IN ORDER TO STANDARDIZE OUR COMPARISONS VERSUS THE INDUSTRY. AS OF SEPTEMBER 30, 2011, LINE EQUIVALENTS TOTALED 459 THOUSAND.

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COST OF REVENUES AND OPERATING EXPENSES

COST OF REVENUES. FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, THE COST OF REVENUES REPRESENTED PS. 671 MILLION, A DECREASE OF PS. 70 MILLION, COMPARED WITH THE SAME PERIOD OF YEAR 2010, MAINLY EXPLAINED BY A (I) DECREASE IN LONG-DISTANCE TERMINATION RATES RESULTING FROM COFETEL JUNE'S RESOLUTION, (II) LOWER FIXED-TO MOBILE COSTS DUE TO A DECREASE OF 17% IN TRAFFIC VOLUME—MOSTLY LINKED TO THE PHASING-OUT OF THE LARGEST WHOLESALE CUSTOMER— AND (III) A 13% LOWER INTERNATIONAL TRAFFIC COSTS RESULTING FROM A 4% LOWER VOLUME AND 7.6 % LOWER PESO-DOLLAR EXCHANGE RATE. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011, COST OF REVENUES REACHED PS. 2,894 MILLION, A DECREASE OF PS. 16 MILLION IN COMPARISON WITH YEAR 2010, MAINLY DUE TO A DECREASE IN EQUAL ACCESS AND NOT EQUAL ACCESS INTERNATIONAL TRAFFIC, AND DOMESTIC LONG DISTANCE CALLS COSTS.

GROSS PROFIT. GROSS PROFIT IS DEFINED AS REVENUES MINUS COST OF REVENUES. FOR THE THIRD QUARTER OF 2011, THE GROSS PROFIT ACCOUNTED FOR PS. 2,042 MILLION, AN INCREASE OF PS. 83 MILLION COMPARED WITH THE SAME PERIOD IN YEAR 2010. THE GROSS PROFIT MARGIN INCREASED FROM 72.5% TO 75.2% YEAR-OVER-YEAR, INFLUENCED BY: (I) THE REDUCTION IN LONG-DISTANCE TERMINATION RATES ESTABLISHED BY COFETEL AND (II) A HIGHER MARGIN MIX OF INTERNATIONAL TRAFFIC, DUE TO A LARGER PROPORTION OF FIXED-TO-MOBILE LONG DISTANCE TRAFFIC RESULTING FROM THE AGREEMENT SIGNED WITH THE MOBILE CARRIERS IN JUNE 2011—THIS ALLOWS AXTEL TO DIRECTLY TERMINATE THIS TRAFFIC AT COMPETITIVE INTERCONNECTION RATES. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011, OUR GROSS PROFIT TOTALED PS. 7,891 MILLION, COMPARED TO PS. 7,716 MILLION RECORDED IN YEAR 2010, AN INCREASE OF PS. 175 MILLION.

OPERATING EXPENSES. IN THE THIRD QUARTER OF YEAR 2011, OPERATING EXPENSES TOTALED PS. 1,123 MILLION, 1 MILLION LOWER THAN THE PS. 1,124 MILLION RECORDED IN THE SAME PERIOD IN YEAR 2010. THIS IS EXPLAINED BY REDUCTIONS IN ADVERTISING AND PERSONNEL EXPENSES AND INCREASES IN MAINTENANCE AND SALES COMMISSIONS RELATED TO A LARGER NETWORK INFRASTRUCTURE AND COMMERCIAL INITIATIVES IN THE MASS MARKET SEGMENT. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011, OPERATING EXPENSES TOTALED PS. 4,423 MILLION, COMING FROM PS. 4,374 MILLION IN THE SAME PERIOD IN 2010. PERSONNEL REPRESENTED 45% OF TOTAL OPERATING EXPENSES IN THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011.

ADJUSTED EBITDA, D&A AND OPERATING INCOME

ADJUSTED EBITDA(5). THE ADJUSTED EBITDA TOTALED PS. 919 MILLION FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, COMPARED TO PS. 835 MILLION FOR THE SAME PERIOD IN 2010. AS A PERCENTAGE OF TOTAL REVENUES, ADJUSTED EBITDA REPRESENTED 33.9% IN THE THIRD QUARTER OF 2011, 297 BPS HIGHER THAN THE MARGIN RECORDED IN THE YEAR-EARLIER QUARTER. FOR THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, ADJUSTED EBITDA AMOUNTED TO PS. 3,468 MILLION, COMPARED TO PS. 3,342 MILLION IN YEAR 2010.

DEPRECIATION AND AMORTIZATION(10). DEPRECIATION AND AMORTIZATION TOTALED PS. 768 MILLION IN THE THREE-MONTH PERIOD ENDING ON SEPTEMBER 30, 2011 COMPARED TO PS. 767 MILLION FOR THE SAME PERIOD IN YEAR 2010. DEPRECIATION AND AMORTIZATION FOR THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2011 REACHED PS. 3,113 MILLION, FROM PS. 2,957 MILLION IN THE SAME PERIOD IN YEAR 2010, AN INCREASE OF PS. 156 MILLION, OR 5%.

OPERATING INCOME (LOSS). IN THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, THE COMPANY RECORDED AN OPERATING INCOME OF PS. 151 MILLION COMPARED TO AN OPERATING INCOME OF PS. 68 MILLION REGISTERED IN THE SAME PERIOD IN YEAR 2010. FOR THE TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2011 OUR OPERATING INCOME REACHED PS. 356 MILLION WHEN COMPARED TO THE RESULT REGISTERED IN THE SAME PERIOD OF YEAR 2010 OF PS. 385 MILLION, A DECLINE OF

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PS. 29 MILLION.

CFR, INDEBTEDNESS, CASH, INVESTMENTS AND DERIVATIVE INSTRUMENTS

COMPREHENSIVE FINANCIAL RESULT. NET INTEREST EXPENSE FOR THE THIRD QUARTER 2011 INCREASED PS. 1 MILLION VIS-À-VIS THIRD QUARTER 2010. DURING THE THIRD QUARTER 2011, A 12% PESO DEPRECIATION AGAINST THE U.S. DOLLAR GENERATED A PS. 1,148 MILLION FX LOSS, COMPARED TO A FX GAIN OF PS. 119 MILLION RECORDED IN THE THIRD QUARTER OF 2010. ALTHOUGH NOT REGISTERED IN THE COMPREHENSIVE FINANCIAL RESULT ACCOUNT, THIS FX LOSS WAS PARTIALLY OFFSET BY A PS. 409 MILLION POSITIVE VARIATION UNDER FINANCIAL INSTRUMENTS IN THE BALANCE SHEET RELATED TO THE HEDGE POSITIONS HELD THROUGH CROSS-CURRENCY-SWAPS INSTRUMENTS. THE MARK-TO-MARKET VALUE OF THESE POSITIONS INCREASED FROM A PS. 245 MILLION NEGATIVE VALUE IN THE SECOND QUARTER OF 2011 TO A PS. 164 MILLION POSITIVE VALUATION IN THE THIRD QUARTER OF 2011 (SEE TABLE BELOW). CONCERNING VARIATIONS IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS, THESE ARE PARTIALLY EXPLAINED BY 22% AND 3% DECLINES IN THE PRICE OF AXTELCPO DURING THE THIRD QUARTERS OF 2011 AND 2010, RESPECTIVELY, WHICH AFFECTED THE VALUATION OF AXTEL'S POSITION HELD IN ITS OWN STOCK THROUGH THE ZERO-STRIKE-CALLS INSTRUMENTS. THE PS. 1,658 MILLION COMPREHENSIVE FINANCIAL LOSS FOR YEAR ENDED IN SEPTEMBER 2011, COMPARED TO A PS. 361 MILLION COMPREHENSIVE FINANCIAL LOSS FOR YEAR ENDED IN SEPTEMBER 2010, IS MAINLY EXPLAINED BY A 7% DEPRECIATION OF THE MEXICAN PESO AGAINST THE U.S. DOLLAR IN THE 2011 PERIOD, COMPARED TO A 8% APPRECIATION IN THE 2010 PERIOD.

DEBT. DURING THE THIRD QUARTER OF 2011, TOTAL DEBT INCREASED PS. 796 MILLION IN COMPARISON WITH THE SAME QUARTER OF 2010, EXPLAINED BY AN INCREASE OF \$253 MILLION IN THE 2017 SENIOR NOTES AND \$451 MILLION IN THE 2019 SENIOR NOTES CAUSED BY THE 12% DEPRECIATION OF THE MEXICAN PESO. DURING THE THIRD QUARTER OF 2011, NEW DEBT TOTALED PS. 30 MILLION WHILE DEBT REDUCTIONS SUMMED PS. 35 MILLION.

CASH. AS OF THE END OF THE THIRD QUARTER OF 2011, OUR CASH AND EQUIVALENTS BALANCE TOTALED PS. 644 MILLION (EQUIVALENT TO US\$ 48 MILLION), COMPARED TO PS. 1,182 MILLION A YEAR AGO. SIXTY-ONE PERCENT OF THE CASH BALANCE IS MAINTAINED IN DOLLARS, THE REST IN PESOS.

CAPITAL INVESTMENTS. IN THE THIRD QUARTER OF 2011, CAPITAL INVESTMENTS TOTALED PS. 488 MILLION, OR US\$36 MILLION, COMPARED TO PS. 1,000 MILLION, OR US\$75 MILLION, IN THE YEAR-EARLIER QUARTER. ACCUMULATED CAPITAL INVESTMENTS TOTALED PS. 1,724 MILLION FOR THE FIRST THREE QUARTERS OF 2011, EQUIVALENT TO US\$ 143 MILLION CONSIDERING THE PREVAILING EXCHANGE RATE AT THE TIME THE INVESTMENTS WERE INCURRED. ACCUMULATED FOR THE TWELVE-MONTH PERIOD ENDED SEPTEMBER 30, 2011, CAPITAL INVESTMENTS TOTALED PS. 2,600 MILLION, COMPARED TO PS. 2,974 MILLION IN YEAR 2010. ACCESS REPRESENTED CLOSE TO 60% OF THIS FIGURE.

OTHER INVESTMENTS. AS OF SEPTEMBER 30, 2011, THE COMPANY MAINTAINED AN ECONOMIC POSITION EQUIVALENT TO 30.4 MILLION AXTELCPOS IN ZSC.

DERIVATIVE INSTRUMENTS. THE FOLLOWING TABLE SUMMARIZES THE COMPANY'S DERIVATIVES POSITION AS OF SEPTEMBER 30, 2011.

	AXTEL RECEIVES	AXTEL PAYS	OTHER
INTEREST-ONLY CROSS-CURRENCY SWAP (MXN/US\$)			
NOTIONAL	US\$275 MILLION	PS. 3,039 MILLION	
INTEREST	7.63% SEMI-ANNUAL	8.43% SEMI-ANNUAL	
PRINCIPAL PAYMENTS	N.A.	N.A.	

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DATES	FEB. 2010 - FEB. 2012
ESTIMATED FAIR VALUE	PS. 17.6 MILLION

INTEREST-ONLY CROSS-CURRENCY SWAP (MXN/US\$)

NOTIONAL	US\$275 MILLION	PS. 3,408 MILLION
INTEREST	7.63% SEMI-ANNUAL	8.27% SEMI-ANNUAL
PRINCIPAL PAYMENTS	N.A.	N.A.
EXPIRATION DATE		AUG. 2012 - AUG. 2014
ESTIMATED FAIR VALUE		PS. 55.8 MILLION

INTEREST-ONLY CROSS-CURRENCY SWAP (MXN/US\$)

NOTIONAL	US\$490 MILLION	PS. 6,321 MILLION
INTEREST	9.0% SEMI-ANNUAL	9.60% SEMI-ANNUAL (AVG.)
PRINCIPAL PAYMENTS	N.A.	N.A.
EXPIRATION DATE		SEPT. 2014
ESTIMATED FAIR VALUE		PS. 91.1 MILLION

ZERO-STRIKE EQUITY CALL OPTION

NOTIONAL VALUE	30.4 MILLION AXTELCPO TIMES CPO'S MARKET PRICE	30.4 MILLION AXTELCPO STRIKE PRICE: ¢1 PER CPO
SETTLEMENT		IN CASH
EXPIRATION DATE		JULY 2011
VALUATION		PS. 153.8 MILLION

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2010

ASSETS

AS OF SEPTEMBER 30, 2010, TOTAL ASSETS SUM PS.21,423 MILLION COMPARED TO PS. 22,411MILLION AS OF SEPTEMBER 30,2011, A DECLINE OF PS.988 MILLION.

CASH AND EQUIVALENTS.AS OF SEPTEMBER 30, 2011, WE HAD CASH AND CASH EQUIVALENTS OF PS.643 MILLION COMPARED TO PS.1,182MILLION IN THE SAME DATE OF YEAR 2010, A DECREASE OF PS.539 MILLION OR 46%.

ACCOUNTS RECEIVABLE. AS OF SEPTEMBER 30, 2011, THE ACCOUNTS RECEIVABLE WERE PS. 2,243 MILLION COMPARED WITH PS.2,271MILLION IN THE SAME DATE OF 2010, A DECLINE OF PS.28 MILLION.

PROPERTY, PLANT AND EQUIPMENT, NET.AS OF SEPTEMBER 30, 2011, THE NET OF DEPRECIATION VALUE OF PROPERTY, PLANT AND EQUIPMENT WAS PS.15,209 MILLION COMPARED WITH PS.15,598 MILLION AS OF SEPTEMBER 30, 2010, ADECREASE OF PS.389 MILLION. THE PROPERTY, PLANT AND EQUIPMENT WITHOUT ADJUSTING FOR THE ACCUMULATED DEPRECIATION, WAS PS. 34,076 MILLION AND PS. 31,568 MILLION AS OF SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010, RESPECTIVELY. THE INCREASE IN PROPERTY, PLANT AND EQUIPMENT IS DUE TO A HIGHER INVESTMENT DURING THIS PERIOD.

LIABILITIES

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TOTAL LIABILITIES WERE PS.14,510 MILLION AS OF SEPTEMBER 30, 2011 COMPARED TO PS.14,527 MILLION AS OF SEPTEMBER 30, 2010, A DECREASE OF PS.17 MILLION.

ACCOUNTS PAYABLE & ACCRUED EXPENSES. ON SEPTEMBER 30, 2011, THE ACCOUNTS PAYABLE AND ACCRUED EXPENSES WERE PS.2,277 MILLION COMPARED WITH PS. 2,778 MILLION ON SEPTEMBER 30, 2010, A DECREASE OF PS.500 MILLION OR 18%.

STOCKHOLDERS EQUITY

ON SEPTEMBER 30, 2011, THE STOCKHOLDERS EQUITY OF THE COMPANY WAS PS.6,913 MILLION COMPARED WITH PS.7,884 MILLION AS OF SEPTEMBER 30, 2010, A DECREASE OF PS.971 MILLION, OR 12%. THE CAPITAL STOCK REMAINED UNCHANGED AT PS.7,562 MILLION AS OF SEPTEMBER 30, 2011 AND 2010.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICALLY WE HAVE RELIED PRIMARILY ON VENDOR FINANCING, THE PROCEEDS OF THE SALE OF SECURITIES, INTERNAL CASH FROM OPERATIONS AND THE PROCEEDS FROM BANK DEBT TO FUND OUR OPERATIONS, CAPITAL EXPENDITURES AND WORKING CAPITAL REQUIREMENTS. ALTHOUGH WE BELIEVE THAT WE WOULD BE ABLE TO MEET OUR DEBT SERVICE OBLIGATIONS AND FUND OUR OPERATING REQUIREMENTS IN THE FUTURE WITH CASH FLOW FROM OPERATIONS, WE MAY SEEK ADDITIONAL FINANCING WITH COMMERCIAL BANKS OR IN THE CAPITAL MARKETS FROM TIME TO TIME DEPENDING ON MARKET CONDITIONS AND OUR FINANCIAL REQUIREMENTS. WE WILL CONTINUE TO FOCUS ON INVESTMENTS IN PROPERTY, SYSTEMS AND INFRASTRUCTURE AND WORKING CAPITAL MANAGEMENT, INCLUDING THE COLLECTION OF ACCOUNTS RECEIVABLE AND MANAGEMENT OF ACCOUNTS PAYABLE.

CASHFLOW STATEMENT

FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011 COMPARED WITH THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS.(395) MILLION FOR THE THREE-MONTH PERIOD ENDED ON SEPTEMBER 30, 2011 COMPARED TO PS.1,681 MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010.

NET RESOURCES USED IN INVESTING ACTIVITIES WERE PS. (471) MILLION FOR THE THREE-MONTH PERIOD ENDED ON SEPTEMBER 30, 2011 COMPARED TO PS. (1,018) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS. (498) MILLION AND PS. (1,000) MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS. (544)MILLION AND PS. (515) MILLION FOR THE THREE-MONTH PERIODS ENDED ON SEPTEMBER 30, 2011 AND 2010, RESPECTIVELY.

AS OF SEPTEMBER 30, 2011, THE RATIO OF NET DEBT TO ADJUSTED EBITDA AND THE RATIO OF INTEREST COVERAGE OF THE COMPANY WAS PLACING IN 3.04X AND 3.60X, RESPECTIVELY. AS SEPTEMBER 30, 2010 THE RATIO OF NET DEBT TO ADJUSTED EBITDA AND INTEREST COVERAGE, WAS 2.75X AND 3.48X, RESPECTIVELY.

SINCE THE BEGINNING OF OPERATIONS OF THE COMPANY, AXTEL HAS INVESTED APPROXIMATELY PS.34BILLION IN INFRASTRUCTURE. THE COMPANY EXPECTS TO DO MORE INVESTMENTS IN THE FUTURE, ACCORDING TO THE EXPANSION OF THE NETWORK IN OTHER GEOGRAPHICAL AREAS OF MEXICO IN ORDER TO GAIN MARKET AND TO MAINTAIN ITS CURRENT INFRASTRUCTURE AND NETWORK.

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CASHFLOW STATEMENT

FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2011 COMPARED WITH TWELVE MONTHS ENDED SEPTEMBER 30, 2010

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS.2,357 MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON SEPTEMBER 30, 2011 COMPARED TO PS.3,914 MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010.

NET RESOURCES USED IN INVESTING ACTIVITIES WERE PS. (2,558) MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON SEPTEMBER 30, 2011 COMPARED TO PS. (3,439) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS.(2,575) MILLION AND PS.(3,358) MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS.(982)MILLION AND PS.(625) MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON SEPTEMBER 30, 2011 AND 2010, RESPECTIVELY.

OTHER IMPORTANT INFORMATION

1) FIGURES IN THIS RELEASE ARE PRESENTED BASED ON MEXICAN FINANCIAL REPORTING STANDARDS (FRS) IN NOMINAL PESOS.

2) REVENUES ARE DERIVED FROM:

I. LOCAL SERVICES. WE GENERATE REVENUE BY ENABLING OUR CUSTOMERS TO ORIGINATE AND RECEIVE CALLS WITHIN A DEFINED LOCAL SERVICE AREA AND BY PROVIDING OFFERS WITH INTERNET ACCESS INCLUDED IN THE MONTHLY RENT. CUSTOMERS ARE CHARGED A FLAT MONTHLY FEE FOR BASIC SERVICE, A PER CALL FEE FOR LOCAL CALLS ("MEASURED SERVICE"), A PER MINUTE USAGE FEE FOR CALLS COMPLETED ON A CELLULAR LINE ("CALLING PARTY PAYS," OR CPP CALLS) AND VALUE ADDED SERVICES. THE COMPANY ALSO PROVIDE CUSTOMERS WITH COMMERCIAL OFFERS INCLUDING LIMITED OR UNLIMITED LOCAL CALLS, MINUTES OF CPP CALLS, MINUTES OF LONG DISTANCE, VALUE ADDED SERVICES AND INTERNET ACCESS FOR A FLAT MONTHLY RENT.

II. LONG DISTANCE SERVICES. WE GENERATE REVENUES BY PROVIDING LONG DISTANCE SERVICES (DOMESTIC AND INTERNATIONAL) FOR OUR CUSTOMERS' COMPLETED CALLS FROM AXTEL LINES.

III. DATA & NETWORK. WE GENERATE REVENUES BY PROVIDING DATA, INTERNET ACCESS AND NETWORK SERVICES, LIKE VIRTUAL PRIVATE NETWORKS AND PRIVATE LINES.

IV. INTERNATIONAL TRAFFIC. WE GENERATE REVENUES TERMINATING INTERNATIONAL TRAFFIC FROM FOREIGN CARRIERS.

V. OTHER SERVICES. INCLUDE AMONG OTHERS, ACTIVATION FEES, CUSTOMER PREMISES EQUIPMENT (''CPE'') SALES AND REVENUES GENERATED FROM INTEGRATED TELECOMMUNICATIONS SERVICES PROVIDED TO CORPORATE CUSTOMERS, FINANCIAL INSTITUTIONS AND GOVERNMENT ENTITIES.

3) COST OF REVENUES INCLUDE EXPENSES RELATED TO THE TERMINATION OF OUR CUSTOMERS' CELLULAR AND LONG DISTANCE CALLS IN OTHER CARRIERS' NETWORKS, AS WELL AS EXPENSES RELATED TO BILLING, PAYMENT PROCESSING, OPERATOR SERVICES AND OUR LEASING OF PRIVATE CIRCUIT LINKS.

4) OPERATING EXPENSES INCLUDE COSTS INCURRED IN CONNECTION WITH GENERAL AND ADMINISTRATIVE MATTERS WHICH INCORPORATE COMPENSATION AND BENEFITS, THE COSTS OF LEASING LAND RELATED TO OUR OPERATIONS AND COSTS ASSOCIATED WITH SALES AND MARKETING AND THE MAINTENANCE OF OUR NETWORK.

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5)ADJUSTED EBITDA IS DEFINED AS NET INCOME PLUS INTEREST, TAXES, DEPRECIATION AND AMORTIZATION, AND FURTHER ADJUSTED FOR UNUSUAL OR NON-RECURRING ITEMS. FOR ADDITIONAL DETAIL ON THE ADJUSTED EBITDA RECONCILIATION, GO TO AXTEL'S WEB SITE AT WWW.AXTEL.COM.MX

6)EARNINGS PER CPO ARE CALCULATED DIVIDING THE NET INCOME BY THE AVERAGE NUMBER OF SERIES A AND SERIES B SHARES OUTSTANDING DURING THE PERIOD DIVIDED BY SEVEN. THE NUMBER OF OUTSTANDING SERIES A AND SERIES B SHARES WAS 96,636,627 AND 8,672,716,596, RESPECTIVELY, AS OF SEPTEMBER 30, 2011.

7)NET DEBT TO ADJUSTED EBITDA: THE FIGURE COMES FROM DIVIDING THE NET DEBT, INCLUDING CASH AND MARK-TO-MARKET OF DERIVATIVE INSTRUMENTS, AT THE END OF THE PERIOD BY THE RESPECTIVE ADJUSTED EBITDA.

8)REVENUE GENERATING UNIT, OR RGU, REPRESENTS INDIVIDUAL SERVICE SUBSCRIBER WHO GENERATES RECURRING REVENUE FOR THE COMPANY. TOTAL RGUS INCLUDE THE SUM OF ALL LINES IN SERVICE AND BROADBAND SERVICE CUSTOMERS OR SUBSCRIBERS.

9)BREAKDOWN OF AXTEL'S REVENUES INCLUDING ITS LARGEST WHOLESALE CUSTOMER:
SOURCES OF REVENUES

				LTM	LTM
MILLION PESOS	Q3 2011	Q3 2010	Q2 2011	SEP-11	SEP-10
LOCAL	1,024	1,112	1,089	4,339	4,470
LONG DISTANCE	306	298	303	1,201	1,130
DATA & NETWORK	642	614	628	2,593	2,430
INT'L. TRAFFIC	355	315	286	1,209	1,224
OTHER	386	361	387	1,443	1,372
	2,713	2,700	2,693	10,784	10,625

10)802.16E WIMAX IS AN IP-BASED VOICE AND DATA WIRELESS TECHNOLOGY DESIGNED TO DELIVER VOICE AND DATA SOLUTIONS, UNDER FIXED, PORTABLE, NOMADIC AND MOBILE ENVIRONMENTS, TO RESIDENTIAL AND BUSINESS CUSTOMERS.

11)DEPRECIATION AND AMORTIZATION INCLUDES DEPRECIATION OF ALL COMMUNICATIONS NETWORK AND EQUIPMENT AND AMORTIZATION OF PRE-OPERATING EXPENSES AND COST OF SPECTRUM LICENSES, AMONG OTHERS.

ABOUT AXTEL

AXTEL IS A MEXICAN TELECOMMUNICATIONS COMPANY THAT PROVIDES LOCAL AND LONG DISTANCE TELEPHONY, BROADBAND INTERNET, DATA AND BUILT-TO-SUIT COMMUNICATIONS SOLUTIONS IN 39 CITIES AND LONG DISTANCE CONNECTIVITY TO BUSINESS AND RESIDENTIAL CUSTOMERS IN OVER 200 CITIES. AXTEL PROVIDES TELECOMMUNICATIONS SERVICES USING A SUITE OF TECHNOLOGIES INCLUDING FWA, WIMAX, COPPER, FIBER OPTIC, POINT TO MULTIPOINT RADIOS AND TRADITIONAL POINT TO POINT MICROWAVE ACCESS, AMONG OTHERS.

AXTELCPO TRADES ON THE MEXICAN STOCK EXCHANGE AND IS PART OF THE IPC INDEX. AXTEL'S AMERICAN DEPOSITARY SHARES ARE ELIGIBLE FOR TRADING IN THE PORTAL MARKET, A SUBSIDIARY OF THE NASDAQ STOCK MARKET, INC.

VISIT AXTEL'S INVESTOR RELATIONS CENTER ON WWW.AXTEL.COM.MX

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(1) BASIS OF PRESENTATION

THESE FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE SPANISH LANGUAGE ORIGINAL FOR THE CONVENIENCE OF THE ENGLISH-SPEAKING READERS.

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH MEXICAN FINANCIAL REPORTING STANDARD (FRS) B-9 "INTERIM FINANCIAL REPORTING", THEREFORE NOT COMPLY WITH ALL PRESENTATION AND DISCLOSURE REQUIREMENTS SET FORTH IN OTHER FRS IN EFFECT AS OF THE BALANCE SHEET DATE.

IN COMPLIANCE WITH THE FRS B-9 MENTIONED ABOVE, IN THE ATTACHMENT (ICSSTRIM.PDF) IS SUBMITTED THE CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010 AND THE CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010.

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH THE ACCOUNTING POLICIES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010, AND FOR THE YEAR THEN ENDED.

FOR PURPOSES OF DISCLOSURE IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, REFERENCES TO PESOS OR "PS.", ARE TO MEXICAN PESOS; LIKewise, REFERENCES TO DOLLARS OR U.S. \$, OR USD ARE TO DOLLARS OF THE UNITED STATES OF AMERICA.

(2) RELATED PARTIES TRANSACTIONS AND BALANCES

BANAMEX AND/OR CITIGROUP INC. AGREEMENTS

• CREDIT AGREEMENT WITH BANAMEX

ON OCTOBER 22, 2010, A REVOLVING CREDIT AGREEMENT WAS SIGNED BETWEEN AXTEL, SAB DE CV AND BANCO NACIONAL DE MEXICO S.A., MEMBER OF GRUPO FINANCIERO BANAMEX. THIS AMOUNT COVERS A COMMITTED LINE OF CREDIT UP TO U.S. \$ 30.0 MILLION DOLLARS OR ITS EQUIVALENT IN MEXICAN PESOS AND IT HAS A TENOR OF THREE YEARS. ON DECEMBER 7, 2010 WE HAD A WITHDRAWAL OF \$ 280.0 MILLION MEXICAN PESOS, RENEWABLE EVERY NINETY DAYS AND BEARING INTEREST ON A MONTHLY BASIS. ONCE THE WITHDRAW PERIOD ENDS, THE AMOUNT WILL BE REPAYABLE IN TWO YEARS. AT SEPTEMBER 30 OF 2011, WE HAD AN OUTSTANDING OF \$269.3 MILLION MEXICAN PESOS.

• BANAMEX MASTER SERVICES AGREEMENT

ON NOVEMBER 27, 2006, AXTEL, AVANTEL AND BANAMEX ENTERED INTO A MASTER SERVICES AGREEMENT IN WHICH IT WAS AGREED THAT ALL SERVICE AGREEMENTS IN EFFECT BETWEEN AVANTEL AND BANAMEX AS OF THE DATE OF THE ACQUISITION WOULD SURVIVE WITH SUBSTANTIALLY IDENTICAL TERMS AND AXTEL WOULD PROVIDE TELECOMMUNICATIONS SERVICES (INCLUDING, LOCAL, LONG DISTANCE AND OTHER SERVICES) TO BANAMEX AND ITS AFFILIATES LOCATED IN MEXICO. DURING THE TERM OF THE AGREEMENT, BANAMEX HAS AGREED TO CONTRACT WITH US FOR ALL OF ITS CURRENT AND FUTURE TELECOMMUNICATIONS NEEDS AND WE HAVE AGREED TO GRANT BANAMEX A MOST FAVORED CUSTOMER BENEFIT WITH RESPECT TO RATES AND SERVICES LEVELS. THE INITIAL TERM OF THIS AGREEMENT IS FOR FIVE YEARS, WITH AUTOMATIC RENEWAL FOR SIMILAR PERIODS OF FIVE YEARS IF AT THAT TIME OF RENEWAL WE ARE NOT IN BREACH OF OUR OBLIGATIONS. AT SEPTEMBER 30, 2011, THIS CONTRACT IS STILL CURRENT AND A RENEWAL IS BEING NEGOTIATED.

• TELHOLDING AGREEMENT

ON NOVEMBER 30, 2006, WE ENTERED INTO AN AGREEMENT WITH TEL HOLDING WHEREBY TEL HOLDING

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WAS GRANTED THE OPTION TO SUBSCRIBE FOR A NUMBER OF SHARES (IN THE FORM OF CPOS) REPRESENTING UP TO 10% OF OUR OUTSTANDING SHARES. PURSUANT TO THIS SUBSCRIPTION AGREEMENT, TEL HOLDING SUBSCRIBED AND PAID 82,151,321 SERIES B SHARES IN THE FORM OF CPOS ON JANUARY 04, 2007. ACCORDING TO THE TERMS OF THIS SUBSCRIPTION AGREEMENT, TEL HOLDING AGREED NOT TO TRANSFER ANY OF THE CPOS ACQUIRED PURSUANT TO SUCH SUBSCRIPTION AGREEMENT FOR A PERIOD OF 364 DAYS FOLLOWING THE DATE OF THE ACQUISITION OF SUCH CPOS, EXCEPT IN CERTAIN CIRCUMSTANCES. IN ADDITION, TEL HOLDING WAS GRANTED THE RIGHT TO REQUEST US TO ASSIST AND SUPPORT THEM, AT OUR EXPENSE, IN PREPARING AND ISSUING PLACEMENT PROSPECTUS AND IN PARTICIPATING IN INVESTOR MEETINGS FOR THE OFFER OF THE CPOS, PROVIDED THAT (I) THREE YEARS HAVE ELAPSED SINCE THE ACQUISITION OF THE CPOS BY TEL HOLDING AND (II) SUCH OFFER IS MADE IN ANY SECURITIES EXCHANGE WHERE THE CPOS REPRESENTING OUR SHARES ARE TRADING AT THE TIME.

•BLACKSTONE'S ADVISORY SERVICES

WE HAVE ENGAGED AND MAY CONTINUE TO ENGAGE THE BLACKSTONE GROUP AND CERTAIN OF ITS AFFILIATES FROM TIME TO TIME IN CONNECTION WITH STRATEGIC ADVICE RELATED TO OUR BUSINESS.

OTHER TRANSACTIONS

•IN MARCH AND MAY 2000, AXTEL AND GEMINI, S.A. DE C.V. (A COMPANY CONTROLLED BY ALBERTO GARZA SANTOS, ONE OF OUR SHAREHOLDERS) ENTERED INTO LEASE AGREEMENTS FOR THE LEASE OF LAND AND PROPERTY ON WHICH OUR CORPORATE OFFICES AND A SWITCH ARE LOCATED. THE AGREEMENT WAS MODIFIED AND SIGNED BETWEEN AXTEL AND DELTA INMOBILIARIA Y VALORES, S.A. DE C.V. (FORMERLY INVERSIONES DD, S.A. DE C.V.). FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010, THE COMPANY PAID DELTA INMOBILIARIA Y VALORES APPROXIMATELY US\$ 2.1 MILLION AND US\$1.6 MILLION, RESPECTIVELY, IN RENTAL PAYMENTS UNDER THESE LEASES.

•IN AUGUST 2002, AXTEL AND NEORIS DE MEXICO, S.A. DE C.V. (A CONSULTING FIRM INDIRECTLY CONTROLLED BY AN AFFILIATE OF IMPRA CAFÉ, S.A. DE C.V., ONE OF OUR SHAREHOLDERS) ENTERED INTO A PROFESSIONAL SERVICES AGREEMENT FOR THE PROVISION OF TECHNICAL ASSISTANCE TO US WITH RESPECT TO A CUSTOMER CARE PLATFORM. FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010, THE COMPANY PAID NEORIS APPROXIMATELY US\$0.4 MILLION AND US\$0.1 MILLION, RESPECTIVELY, IN SERVICE FEES.

•IN APRIL 2002, AXTEL AND INSTALACIONES Y DESCONEXIONES ESPECIALIZADAS, S.A. DE C.V. (A COMPANY CONTROLLED BY THE SON OF ALBERTO SANTOS DE HOYOS, ONE OF OUR SHAREHOLDERS) ENTERED INTO A SERVICES AGREEMENT FOR THE PROVISION OF INSTALLATION SERVICES WITH REGARD TO CUSTOMER PREMISE EQUIPMENT. FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010, THE COMPANY PAID THEM APPROXIMATELY US\$1.6 MILLION AND US\$1.4 MILLION, RESPECTIVELY, IN FEES FOR SERVICES.

•FUNDACIÓN AXTEL A.C., A NON-PROFIT CHARITY, WAS FOUNDED IN 2005 TO PROMOTE PROVIDE ASSISTANCE IN THE COMMUNITIES WHERE THE COMPANY OPERATE. AMONG OTHERS, TOMAS MILMO SANTOS AND PATRICIO JIMENEZ SERVE AS DIRECTORS IN FUNDACIÓN AXTEL. FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010, THE COMPANY CONTRIBUTED APPROXIMATELY US\$ 1.1 AND US\$ 0.9 MILLION, RESPECTIVELY, TO FUNDACIÓN AXTEL..

•ON NOVEMBER 24, 2006, OUR SHAREHOLDERS THOMAS MILMO ZAMBRANO, MARIA LUISA SANTOS DE HOYOS, ALBERTO SANTOS DE HOYOS, TOMAS MILMO SANTOS AND IMPRA CAFE, S.A. DE C.V., ENTERED INTO AN SHAREHOLDERS AGREEMENT WHEREBY THEY AGREED, AMONG OTHER THINGS, TO VOTE THEIR SHARES (IN ANY MEETING OF SHAREHOLDERS WHEREBY THE MEMBERS OF THE BOARD ARE TO BE ELECTED) IN ORDER TO DESIGNATE ONE DIRECTOR (AND ITS ALTERNATE) TO OUR BOARD AS PROPOSED JOINTLY BY CITIGROUP INC., ITS SUBSIDIARIES AND TEL HOLDING AND ITS ASSIGNS,

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SO LONG AS SUCH ENTITIES COLLECTIVELY HOLD OR BENEFICIAL OWN (DIRECTLY OR INDIRECTLY THROUGH CPOS) SHARES REPRESENTING BETWEEN 7% AND 10% OF OUR OUTSTANDING SHARES.

THE CONTRACTS MENTIONED ABOVE, HAVE BEEN SIGNED UNDER MARKET CONDITIONS.

(3) COMMITMENTS AND CONTINGENCIES

AS OF SEPTEMBER 30, 2011, THE COMPANY HAS THE FOLLOWING COMMITMENTS AND CONTINGENCIES:

(A) ON SEPTEMBER 1, 2008, THE DEPARTMENT OF COMMUNICATIONS AND TRANSPORTATION (SECRETARÍA DE COMUNICACIONES Y TRANSPORTES "SCT"), ISSUED FOUR RULINGS RESOLVING FOUR ADMINISTRATIVE REVIEW PROCEEDINGS REGARDING INTERCONNECTION DISAGREEMENTS THAT WERE PREVIOUSLY FILED BEFORE THE FEDERAL TELECOMMUNICATIONS COMMISSION (COMISIÓN FEDERAL DE TELECOMUNICACIONES "COFETEL") AGAINST THE FOLLOWING COMPANIES: RADIOMOVIL DIPSA, S.A. DE C.V. ("TELCEL"), IUSACELL PCS, S.A. DE C.V. AND OTHERS ("GRUPO IUSACELL"), PEGASO PCS, S.A. DE C.V. AND OTHERS ("GRUPO TELEFONICA") AND OPERADORA UNEFON, S.A. DE C.V. ("UNEFON").

THE RESOLUTIONS ISSUED BY THE SCT, PRIMARILY CONSIDER THE APPLICATION OF NEW RATES REGARDING CONSUMPTION BEGINNING IN SEPTEMBER 2008, AND SECONDLY, THE RETROACTIVE APPLICATION OF THOSE RATES. IN THE CASE OF TELCEL IN EFFECT SINCE JANUARY 1, 2008, AND FOR THE CASE OF THE OTHER MOBILE OPERATORS (GRUPO IUSACELL, GRUPO TELEFONICA AND UNEFON), IN EFFECT SINCE OCTOBER 2006.

THEREFORE, EFFECTIVE SEPTEMBER 2008, THE MOBILE CARRIERS ARE OBLIGATED TO BILL THE COMPANY FOR THE TERMINATION OF CALLS IN MOBILE PHONES UNDER THE MODALITY OF "CALLING PARTY PAYS" ACCORDING TO THE TERMS OF THE RESOLUTIONS (USING RATES BASED ON THE ACTUAL DURATION OF THE CALL), AND IN ADDITION, ACCORDING TO SUCH RESOLUTIONS, THE COMPANY COULD CLAIM THE AMOUNTS THAT THE COMPANY HAS PAID IN EXCESS DURING THE PERIODS REFERRED TO UNDER THE ABOVE MENTIONED RESOLUTIONS, THAT IS, THE DIFFERENCE BETWEEN THE INTERCONNECTION RATES APPLIED BY THE MOBILE CARRIERS AND PAID BY THE COMPANY DURING SUCH PERIOD, AND THE RATES ESTABLISHED BY THE SCT IN THE RESOLUTIONS.

AS OF SEPTEMBER 30, 2011, ACCORDING TO THE RESOLUTIONS OF THE SCT AND USING SOME PRELIMINARY INFORMATION OF THE COMPANY, BOTH AXTEL AND AVANTEL WOULD HAVE PAID APPROXIMATELY PS. 397.7 MILLION IN EXCESS TO TELCEL, AND TO THE REST OF THE MOBILE OPERATORS, PS. 396.6 MILLION.

AS A RESULT OF THE RESOLUTIONS ISSUED BY THE SCT, THE COMPANY ACKNOWLEDGED THAT SINCE AUGUST 2008 AND THEREAFTER, THE INTERCONNECTION RATE APPLICABLE FOR TERMINATION IS: PS. 0.5465, PS. 0.5060, PS. 0.4710 AND PS. 0.4719 FOR EACH ACTUAL MINUTE FOR TELCEL AND TELEFONICA FOR THE YEARS 2008, 2009, 2010 AND 2011, RESPECTIVELY; AND PS. 0.6032 PER MINUTE FOR THE REST OF THE CARRIERS. APPLYING THE CONCEPT OF NON-DISCRIMINATORY TREATMENT, AVANTEL ALSO ADOPTED THE RATES MENTIONED ABOVE. THE RATES THAT AXTEL AND AVANTEL WERE PAYING BEFORE THE RESOLUTIONS AMOUNTED TO PS. 1.3216 FOR EACH ACTUAL MINUTE FOR TELCEL AND PS. 1.21 FOR EACH ROUNDED MINUTE FOR THE REST OF THE MOBILE CARRIERS. AS OF SEPTEMBER 30, 2011, THE DIFFERENCE BETWEEN THE AMOUNTS PAID BY THE COMPANY ACCORDING TO THE NEW RATES ESTABLISHED BY THE SCT, AND THE AMOUNTS BILLED BY THE MOBILE CARRIERS, AMOUNTED TO APPROXIMATELY PS. 1,902 MILLION NOT INCLUDING VALUE ADDED TAX.

THE COMPANY IS AWARE THAT TELCEL AND THE OTHER MOBILE CARRIERS HAVE FILED BEFORE THE FEDERAL COURTS, THEIR DISAGREEMENT WITH RESPECT TO THE RESOLUTIONS ISSUED BY THE SCT MENTIONED, AND THERE IS A CONTINGENCY FOR THE COMPANY (AXTEL AND AVANTEL) IN CASE THAT THE COURTS RULE AGAINST THESE RESOLUTIONS, AND THAT AS A RESULT, DIFFERENT RATES ARE

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QUARTER: 03 YEAR: 2011

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ESTABLISHED IN COMPARISON TO THOSE ESTABLISHED BY THE SCT. THE CONTINGENCY WOULD BE THE DIFFERENCE BETWEEN THE RATES ESTABLISHED BY SCT, AND THOSE RATES ESTABLISHED BY THE COURTS UNDER THE RESPECTIVE RESOLUTIONS, SUCH CONTINGENCY IN CASE THAT THESE RATES ARE HIGHER THAN PS. 0.5465, PS. 0.5060, PS. 0.4710 AND PS. 0.4719 FOR EACH ACTUAL MINUTE FOR TELCEL AND TELEFONICA FOR 2008, 2009, 2010 AND 2011, RESPECTIVELY; AND PS. 0.6032 FOR EACH ACTUAL MINUTE FOR THE REST OF THE MOBILE CARRIERS. THE COMPANY'S MANAGEMENT BELIEVES THAT THE COMPANY HAS THE NECESSARY ELEMENTS TO PREVAIL UNDER THESE PROCEEDINGS BEFORE THE COURT, THEREFORE, SINCE AUGUST 2008 AND THEREAFTER, IT HAS RECOGNIZED THE COST BASED ON PS. 0.5465 PER EACH ACTUAL MINUTE FOR TELCEL AND PS. 0.6032 PER EACH MINUTE FOR THE REST OF THE MOBILE CARRIERS.

WITH RESPECT TO THE POSSIBILITY OF THE COMPANY TO RECOVER THE PAYMENTS MADE IN EXCESS OF APPLICABLE AMOUNTS DUE UNDER THE RESOLUTIONS FOR PERIODS PRIOR TO AUGUST 2008, IT IS IMPORTANT TO MENTION THAT COLLECTION OR RECOVERY OF SUCH AMOUNTS IS NOT AUTOMATIC, THEREFORE, IN ORDER TO COLLECT OR RECOVER, AMONG OTHER ALTERNATIVES, THE COMPANY MAY INITIATE ORDINARY COMMERCIAL LAWSUIT AGAINST THE MOBILE CARRIERS. IN THIS CASE ANY CLAIMED AMOUNTS BY THE COMPANY IN SUCH LITIGATION WILL BE SUBJECT TO THE INTERPRETATION OF THE JUDGES BASED UPON THE EVIDENCE AND DOCUMENTS PRESENTED BY THE PARTIES, THAT IN CASE THAT THE COMPANY DECIDES TO FOLLOW THIS ALTERNATIVE. CONSIDERING THE CHARACTERISTICS AND COMPLEXITY OF THE RESOLUTIONS OF THE SCT AND THEIR EFFECTS, PLUS THE FACT THAT THERE IS LITTLE OR NO PRECEDENTS, IT IS VERY LIKELY THAT THESE PROCEEDINGS WILL BE LENGTHY. AS OF SEPTEMBER 30, 2011, THE COMPANY HAS NOT RECOGNIZED THE BENEFIT OF ANY SUCH POSSIBLE RECOVERY.

IN APRIL 2010, WITH RESPECT TO IUSACELL COURT CASE, A FEDERAL JUDGE ISSUED A RESOLUTION (IN FIRST INSTANCE) IN WHICH IT DETERMINED, THAT THE SCT WAS COMPETENT TO RESOLVE THE RESPECTIVE ADMINISTRATIVE REVIEW PROCEEDING FILED BY AXTEL, BUT INSTEAD OF HAVING DETERMINED DIRECTLY THE INTERCONNECTION RATES, THE SCT SHOULD HAVE PROVIDED GUIDELINES ON THIS MATTER TO COFETEL, IN ORDER FOR COFETEL TO ISSUE THE DISPUTED INTERCONNECTION TARIFFS. AFTERWARDS, A FEDERAL DISTRICT COURT DETERMINED ON THIS MATTER, THAT THE ADMINISTRATIVE REVIEW PROCEEDING HAD TO BE RESOLVED BY COFETEL, AND NOT BY THE SCT, BY MEANS OF WHICH, NOW COFETEL IS IN THE PROCESS OF ISSUING A NEW RULING ON THIS MATTER. THIS IMPLIES THAT THE SCT'S RESOLUTION REGARDING INTERCONNECTION RATES WAS REVOKED, AND REMITTED TO COFETEL FOR ITS DETERMINATION OF THE APPLICABLE INTERCONNECTION RATES. ON OCTOBER 20, 2010, COFETEL ISSUED RESOLUTION P/201010/492 BY MEANS OF WHICH, IT DETERMINED THE INTERCONNECTION TARIFFS APPLICABLE BETWEEN AXTEL AND TELEFONICA, FOR THE PERIOD 2008 - 2011, CONSIDERING THE SAME AMOUNTS ESTABLISHED BY THE SCT IN ITS RESOLUTION DATED SEPTEMBER 01, 2008, THIS IS, PS. 0.5465 PER ACTUAL MINUTE FOR THE YEAR 2008, PS. 0.5060 FOR THE YEAR 2009, PS. 0.4705 FOR THE YEAR 2010, AND PS. 0.4179 FOR THE YEAR 2011.

REGARDING TELCEL'S COURT CASE, IN JULY 2010, A FEDERAL DISTRICT JUDGE, ISSUED A FIRST INSTANCE RULING WHEREBY IT WAS DETERMINED THAT THE SCT WAS COMPETENT TO RESOLVE THE RESPECTIVE ADMINISTRATIVE REVIEW PROCEEDINGS FILED BY AXTEL, IT RATIFIED THE COSTS MODEL USED BY THE SCT WITH, WITH SOME BRIEF REMARKS, AND SET THE RATES FOR 2008 AT PS. 0.4606, FOR 2009 AT PS. 0.4335, FOR 2010 AT PS. 0.4170 AND FOR 2011 AT PS. 0.4015. TELCEL CONTESTED THIS RESOLUTION, AND THE REVIEW WAS SENT TO THE SEVENTEENTH FEDERAL DISTRICT COURT SPECIALIZED IN ADMINISTRATIVE MATTERS OF THE FIRST CIRCUIT. AS OF TODAY, THE SECOND CHAMBER OF THE SUPREME COURT OF JUSTICE DECIDED TO EXERCISE ITS RIGHT TO ATTRACT THIS CASE DUE TO ITS HIGH RELEVANCE. THE RULING REGARDING UNEFON'S AND TELEFONICA'S COURT CASES, HAD ALREADY BEEN SOLVED BY THE FIRST INSTANCE, AND AS WELL AS TELCEL'S COURT CASE, THE SECOND CHAMBER OF THE SUPREME COURT OF JUSTICE, ATTRACTED UNEFON AND TELEFONICA'S COURT CASES.

AFTER EVALUATING THE ACTUAL STATUS OF THE FOREGOING PROCEEDINGS AND ACCORDING TO THE AVAILABLE INFORMATION AND INFORMATION PROVIDED BY THE LEGAL ADVISORS, THE MANAGEMENT OF

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THE COMPANY CONSIDERS THAT THERE ARE ENOUGH ELEMENTS TO MAINTAIN THE ACTUAL ACCOUNTING TREATMENT, AND THAT AT THE END OF THE LEGAL PROCESS THE INTERESTS OF THE COMPANY WILL PREVAIL.

COMPANY MANAGEMENT IS AWARE OF THE FACT THAT TELCEL AND THE OTHER MOBILE OPERATORS HAVE ASKED THE FEDERAL COURTS FOR THE SUSPENSION OF THE RESOLUTIONS BY THE SCT, BUT THE SUPREME COURT OF JUSTICE RESOLVED THAT THE RESOLUTIONS REGARDING INTERCONNECTION TARIFFS CANNOT BE LEGALLY SUSPENDED.

DUE TO COFETEL'S RESOLUTION P/201010/492, WHEREBY THE INTERCONNECTION RATES APPLICABLE BETWEEN AXTEL AND TELEFONICA FOR THE PERIOD 2008 - 2011 WERE DETERMINED, THESE ARE THE CURRENT RATES BETWEEN TELEFONICA AND AXTEL. SUCH RATES ARE LOWER THAN THE INTERCONNECTION TARIFFS THAT WERE PREVIOUSLY PAID BY AXTEL TO TELEFONICA. TELEFONICA CONTESTED THIS RESOLUTION BY MEANS OF FILING A CONSTITUTIONAL TRIAL (JUICIO DE AMPARO), WHICH IS CURRENTLY AT ITS INITIAL STAGE WITH A FEDERAL DISTRICT JUDGE.

(B) IN MARCH 2009, THE COFETEL RESOLVED AN INTERCONNECTION DISAGREEMENT PROCEEDING EXISTING BETWEEN THE COMPANY (AXTEL) AND TELÉFONOS DE MÉXICO, S.A.B. DE C.V. ("TELMEX") RELATED TO THE RATES FOR THE TERMINATION OF LONG DISTANCE CALLS FROM THE COMPANY TO TELMEX WITH RESPECT TO YEAR 2009. IN SUCH ADMINISTRATIVE RESOLUTION, THE COFETEL APPROVED A REDUCTION IN THE RATES FOR TERMINATION OF LONG DISTANCE CALLS APPLICABLE TO THOSE CITIES WHERE TELMEX DOES NOT HAVE INTERCONNECTION ACCESS POINTS. THESE RATES WERE REDUCED FROM PS. 0.75 PER MINUTE TO US\$0.0105 OR US\$0.0080 PER MINUTE DEPENDING ON THE PLACE WHERE THE COMPANY DELIVERS THE LONG DISTANCE CALL.

UNTIL JUNE 2010, TELMEX BILLED THE COMPANY FOR THE TERMINATION OF LONG DISTANCE CALLS APPLYING THE RATES THAT WERE APPLICABLE PRIOR TO THE RESOLUTIONS MENTIONED ABOVE, AND AFTER SUCH DATE, TELMEX HAS BILLED THE RESULTANT AMOUNTS, APPLYING THE NEW INTERCONNECTION RATES. AS OF SEPTEMBER 30, 2011, THE DIFFERENCE BETWEEN THE AMOUNTS PAID BY THE COMPANY TO TELMEX ACCORDING TO THE NEW RATES, AND THE AMOUNTS BILLED BY TELMEX, AMOUNT TO APPROXIMATELY TO PS. 1,240 MILLION, NOT INCLUDING VALUE ADDED TAX.

TELMEX FILED FOR NULLIFICATION OF THE PROCEEDING WITH THE FEDERAL COURT OF TAX AND ADMINISTRATIVE JUSTICE (TRIBUNAL FEDERAL DE JUSTICIA FISCAL Y ADMINISTRATIVA) REQUESTING THE NULLIFICATION OF COFETEL'S ADMINISTRATIVE RESOLUTION. THE COMPANY (AXTEL AND AVANTEL) HAVE A CONTINGENCY IN CASE THAT THE FEDERAL TAX AND ADMINISTRATIVE COURT RULES AGAINST THE COMPANY, AND THAT AS A RESULT, ESTABLISHES DIFFERENT RATES COMPARED TO THOSE ESTABLISHED BY COFETEL. TELMEX OBTAINED A SUSPENSION FOR THE APPLICATION OF THE INTERCONNECTION RATES ESTABLISHED BY COFETEL, SUCH SUSPENSION CAME INTO EFFECT ON JANUARY 26, 2010, BUT CEASED TO BE IN FORCE AND EFFECT AS OF FEBRUARY 11, 2010, SINCE THE COMPANY DECIDED TO EXERCISE ITS RIGHT TO LEAVE WITHOUT EFFECT THE SUSPENSION BY GUARANTEEING ANY DAMAGES THAT COULD BE CAUSED TO TELMEX. NONETHELESS, THE COURT REVOKED TELMEX'S GUARANTEE, TAKING INTO CONSIDERATION THE ISSUANCE OF RESOLUTION P/140410/189, WHEREBY COFETEL RESOLVED THE SAME LOW RATES BETWEEN AXTEL AND TELMEX FOR THE YEAR 2010.

IN JANUARY 2010, THE COFETEL RESOLVED AN INTERCONNECTION DISAGREEMENT PROCEEDING EXISTING BETWEEN THE COMPANY (AVANTEL) AND TELMEX RELATED TO THE RATES FOR THE TERMINATION OF LONG DISTANCE CALLS FROM THE COMPANY TO TELMEX WITH RESPECT TO YEAR 2009. IN SUCH ADMINISTRATIVE RESOLUTION, THE COFETEL APPROVED A REDUCTION IN THE RATES FOR TERMINATION OF LONG DISTANCE CALLS APPLICABLE TO THOSE CITIES WHERE TELMEX DOES NOT HAVE INTERCONNECTION ACCESS POINTS. THESE RATES WERE REDUCED FROM PS. 0.75 PER MINUTE TO US\$0.0126, US\$0.0105 OR US\$0.0080 PER MINUTE, DEPENDING ON THE PLACE WHERE THE COMPANY DELIVERS THE LONG DISTANCE CALL. BASED ON THIS RESOLUTION, THE COMPANY PAID APPROXIMATELY PS. 20 MILLION IN EXCESS. TELMEX CHALLENGED THE RESOLUTION BEFORE THE FEDERAL COURT OF TAX AND ADMINISTRATIVE JUSTICE, AND SUCH PROCEEDING IS IN AN INITIAL STAGE.

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ON MAY 2011, THE COFETEL ISSUED A RULING RESOLVING AN ADMINISTRATIVE REVIEW PROCEEDING REGARDING AN INTERCONNECTION DISAGREEMENT BETWEEN TELMEX AND THE COMPANY, RELATED TO THE TARIFF APPLICABLE TO THE TERMINATION OF LONG DISTANCE CALLS FROM THE COMPANY TO TELMEX, FOR THE YEAR 2011. IN SUCH ADMINISTRATIVE RESOLUTION, THE COFETEL APPROVED A REDUCTION OF THE TARIFFS APPLICABLE FOR THE TERMINATION OF LONG DISTANCE CALLS. THE ABOVE MENTIONED TARIFFS WERE REDUCED FROM US\$0.0126, US\$0.0105 OR US\$0.0080 PER MINUTE, TO \$0.04530 AND \$0.03951 PS. PER MINUTE, DEPENDING ON THE PLACE IN WHICH THE COMPANY IS TO DELIVER THE LONG DISTANCE TRAFFIC. TELMEX CHALLENGED THIS RULING BEFORE THE SCT, BUT THE REQUEST WAS DISMISSED BY SUCH AUTHORITY. NOWADAYS, TELMEX CHALLENGED SUCH DISMISSAL, BEFORE THE FEDERAL COURT OF TAX AND ADMINISTRATIVE JUSTICE, AND SUCH PROCEEDING IS IN AN INITIAL STAGE.

THE COMPANY BELIEVES THAT THE RATES UNDER COFETEL'S RESOLUTION WILL PREVAIL, THEREFORE HAS RECOGNIZED THE COST BASED ON THE RATES APPROVED BY COFETEL. DUE TO THE FACT THAT THE PROCEEDINGS FOLLOWED BY TELMEX ARE RECENT, THE COMPANY AND ITS LEGAL ADVISORS ARE EVALUATING THE STEPS TO BE FOLLOWED.

AS OF DECEMBER 31, 2009, THERE WAS A LETTER OF CREDIT FOR U.S. \$34 MILLION ISSUED BY BANAMEX IN FAVOR OF TELMEX FOR THE PURPOSE OF GUARANTEEING THE COMPANY'S ACQUIRED OBLIGATIONS IN SEVERAL INTERCONNECTION AGREEMENTS. THE AMOUNTS UNDER THE LETTER OF CREDIT WERE DRAWN BY TELMEX IN THE MONTH OF JANUARY 2010, CLAIMING THAT AVANTEL HAD DEBTS WITH SUCH COMPANY.

AS OF SEPTEMBER 30, 2011, AVANTEL HAS BEEN ABLE TO RECOVER PS.309,284 FROM THE AMOUNT MENTIONED ABOVE, THROUGH THE COMPENSATION COLLECTION WITH REGARD TO CERTAIN CHARGES FOR SERVICES RENDERED BY TELMEX TO AVANTEL ON A MONTHLY BASIS. THE NON-RECOVERED BALANCE OF PS. 147,053 IS RECOGNIZED IN THE "OTHER ACCOUNTS RECEIVABLE" LINE ITEM IN THE BALANCE SHEET.

DUE TO THE FACT THAT THIS EVENT IS RECENT, THE COMPANY AND ITS LEGAL ADVISORS ARE EVALUATING THE STEPS TO BE FOLLOWED.

(C) DURING SEPTEMBER AND NOVEMBER 2005, AVANTEL INFRAESTRUCTURA FILED A LAWSUIT AGAINST THE RESOLUTION OF THE "NEGATIVA FICTA" (AUTOMATIC NEGATIVE RULING AS A RESULT OF LACK OF ANSWER) WITH THE FEDERAL COURT OF TAX AND ADMINISTRATIVE JUSTICE ARISING FROM THE FACT THAT THERE WAS NO RESOLUTION DURING THE 3 MONTHS PERIOD AS STATED UNDER THE FEDERAL TAX CODE (CÓDIGO FISCAL DE LA FEDERACIÓN) WITH RESPECT TO THE REQUEST FOR A CONFIRMATION OF CRITERIA IN THE SENSE THAT AVANTEL INFRAESTRUCTURA IS NOT OBLIGED TO PAY DUTIES UNDER ARTICLE 232 SECTION I OF THE FEDERAL DUTIES LAW, WITH RESPECT TO THE USE OF EXCLUSIVE ECONOMIC GEOGRAPHIC ZONE IN MEXICO RELATED TO CERTAIN LANDING POINTS IN "PLAYA NIÑO", REGION 86, BENITO JUAREZ, ITANCAH TULUM, CARRILLO PUERTO, AND QUINTANA ROO.

THE SUIT WAS TURNED FOR STUDY AND RESOLUTION TO THE 5TH METROPOLITAN REGIONAL COURT OF THE FEDERAL COURT OF TAX AND ADMINISTRATIVE JUSTICE, WHO DECLARED THE ANNULMENT OF THE "NEGATIVA FICTA", IN ORDER FOR THE AUTHORITY BEING SUED TO ISSUE ANOTHER RESOLUTION LEGALLY SUPPORTED, CONSIDERING THE TERMS OF THE RESOLUTION.

IN DISAGREEMENT WITH THE RULING PRONOUNCED BY THE FEDERAL COURT OF TAX AND ADMINISTRATIVE JUSTICE, AVANTEL INFRAESTRUCTURA FILED AN AMPARO DIRECTO (CONSTITUTIONAL REVIEW), WHILE AT THE SAME TIME, THE AUTHORITY STARTED A TAX REVIEW, PROCEEDINGS THAT WERE ALREADY RESOLVED, DETERMINING THE OBLIGATION OF AVANTEL TO PAY DUTIES FOR TO THE USE OF THE EXCLUSIVE ECONOMIC GEOGRAPHIC ZONE MENTIONED ABOVE, AT A RATE OF 7.5% OF THE VALUE DETERMINED BY THE ADMINISTRATION AND VALUATION OF NATIONAL PROPERTY INSTITUTE (INSTITUTO DE ADMINISTRACIÓN Y AVALUOS DE BIENES NACIONALES).

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(D)THE COMPANY IS INVOLVED IN A NUMBER OF LAWSUITS AND CLAIMS ARISING IN THE NORMAL COURSE OF BUSINESS. IT IS EXPECTED THAT THE FINAL OUTCOME OF THESE MATTERS WILL NOT HAVE SIGNIFICANT ADVERSE EFFECTS ON THE COMPANY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS.

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ANALYSIS OF INVESTMENTS IN SHARES

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SUBSIDIARIES

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COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	% OWNERSHIP
INSTALACIONES Y CONTRATACIONES, S.A. DE C.V.	SERVICIOS ADMINISTRATIVOS	18,615,358	100.00
SERVICIOS AXTEL, S.A. DE C.V.	SERVICIOS ADMINISTRATIVOS	1,000,000,000	100.00
AVANTEL, S. DE R.L. DE C.V.	SERVICIOS DE TELECOMUNICACIONES	5	100.00
AVANTEL INFRAESTRUCTURA, S. DE R.L. DE C.V.	SERVICIOS DE TELECOMUNICACIONES	3	100.00
TELECOM NETWORKS, INC.	SERVICIOS DE TELECOMUNICACIONES	1,000	100.00

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ANALYSIS OF INVESTMENTS IN SHARES

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ASSOCIATES

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COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	% OWNERSHIP	TOTAL AMOUNT (Thousands of Mexican Pesos)	
				ACQUISITION COST	BOOK VALUE
CONECTIVIDAD INALAMBRICA 7GHZ S. DE R.L.	SERVICIOS DE TELECOMUNICACIONES	2	50.00	24,497	9,749
TOTAL INVESTMENT IN ASSOCIATES				24,497	9,749
OTHER PERMANENT INVESTMENTS					36,938
TOTAL					46,687

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BREAKDOWN OF CREDITS

(Thousand Pesos)

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CREDIT TYPE / INSTITUTION	WITH FOREIGN INSTITUTION	DATE OF AGREEMENT	AMORTIZATION DATE	AMORTIZATION OF CREDITS IN FOREIGN CURRENCY (THOUSANDS OF \$)						AMORTIZATION OF CREDITS IN FOREIGN CURRENCY (THOUSANDS OF \$)					
				TIME INTERVAL						TIME INTERVAL					
				CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR	CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR
SUPPLIERS															
PROVEEDORES	NOT APPLIED			1,262,729	0	0	0	0	0						
PROVEEDORES	NOT									631,692	0	0	0	0	0
PROVEEDORES	YES									382,854	0	0	0	0	0
TOTAL SUPPLIERS				1,262,729	0	0	0	0	0	1,014,546	0	0	0	0	0
OTHER LOANS WITH COST (S103 Y S30)															
OTROS CREDITOS CON COSTO	NOT APPLIED			14,417	41,643	62,088	24,448	3,774	0						
OTROS CREDITOS CON COSTO	NOT									56,035	137,893	129,459	41,499	19,505	0
TOTAL				14,417	41,643	62,088	24,448	3,774	0	56,035	137,893	129,459	41,499	19,505	0
OTHER CURRENT LIABILITIES WITHOUT COST (S26)															
OTROS PASIVOS CIRCULANTES	NOT APPLIED			322,640	388,141										
OTROS PASIVOS CIRCULANTES										77,539	0				
TOTAL				322,640	388,141	0	0	0	0	77,539	0	0	0	0	0
TOTAL				1,941,062	429,784	62,088	24,448	3,774	0	1,148,120	137,893	129,459	41,499	19,505	10,267,601

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MONETARY FOREIGN CURRENCY POSITION

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(Thousand Pesos)

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FOREIGN CURRENCY POSITION	DOLLARS		OTHER CURRENCIES		TOTAL THOUSANDS OF PESOS
	DOLLARS	PESOS	DOLLARS	PESOS	
MONETARY ASSETS	90,189	1,210,495	0	0	1,210,495
LIABILITIES POSITION	875,007	11,744,076	0	0	11,744,076
SHORT-TERM LIABILITIES POSITION	95,816	1,286,012	0	0	1,286,012
LONG-TERM LIABILITIES POSITION	779,191	10,458,064	0	0	10,458,064
NET BALANCE	-784,818	-10,533,581	0	0	-10,533,581

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RESULT FROM MONETARY POSITION

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(Thousand Pesos)

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MONTH	MONETARY ASSETS	MONETARY LIABILITIES	(ASSET) LIABILITY MONETARY POSITION	MONTHLY INFLATION	MONTHLY PROFIT AND (LOSS)
TOTAL					0

OTHER CONCEPTS:					
CAPITALIZED RESULT FOR MONETARY POSITION					

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DEBT INSTRUMENTS

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FINANCIAL LIMITED BASED IN ISSUED DEED AND/OR TITLE

ISSUED INDEBTEDNESS DUE IN FEBRUARY 2017 AND SEPTEMBER 2019 (SENIOR NOTES) CONTEMPLATES ONLY ONE FINANCIAL COVENANT, WHICH IS TO HAVE A RATIO OF TOTAL DEBT TO ADJUSTED EBITDA OF NO MORE THAN 4 TIMES.

SHORT-TERM CREDIT AGREEMENT WITH BANAMEX INCLUDES THE FOLLOWING FINANCIAL RATIOS:

1. DEBT COVERAGE, WHICH IS TO HAVE A RATIO OF TOTAL DEBT TO ADJUSTED EBITDA OF NO MORE THAN 3.3 TIMES.

2. INTEREST COVERAGE CONSISTS IN MAINTAINING A RATIO OF ADJUSTED EBITDA TO INTEREST EXPENSE EQUAL OR HIGHER THAN THREE TIMES.

SHORT-TERM CREDIT AGREEMENT WITH BANORTE INCLUDES THE FOLLOWING FINANCIAL RATIOS:

1. DEBT COVERAGE, WHICH IS TO HAVE A RATIO OF TOTAL DEBT TO ADJUSTED EBITDA OF NO MORE THAN 3.5 TIMES.

2. INTEREST COVERAGE CONSISTS IN MAINTAINING A RATIO OF ADJUSTED EBITDA TO INTEREST EXPENSE EQUAL OR HIGHER THAN THREE TIMES.

CURRENT SITUATION OF FINANCIAL COVENANTS:

THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

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DEBT INSTRUMENTS

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ACTUAL SITUATION OF FINANCIAL LIMITED

THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

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**PLANTS, COMMERCE CENTERS OR DISTRIBUTION
CENTERS**

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PLANT OR CENTER	ECONOMIC ACTIVITY	PLANT CAPACITY	UTILIZATION (%)
NO DISPONIBLE		0	0

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MAIN RAW MATERIALS

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DOMESTIC	MAIN SUPPLIERS	FOREIGN	DOM. SUBST.	COST PRODUCTION (%)
NO DISPONIBLE				0

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SALES DISTRIBUTION BY PRODUCT

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NET SALES/TOTAL SALES

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MAIN PRODUCTS	NET SALES		MARKET SHARE (%)	MAIN	
	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
DOMESTIC SALES					
SERVICIO LOCAL	0	3,207,476	0.00		
SERVICIO DE L.D.	0	901,452	0.00		
DATOS	0	1,926,292	0.00		
TRAFICO INTL.	0	911,172	0.00		
OTROS SERVICIOS	0	1,114,630	0.00		
FOREIGN SALES					
TOTAL		8,061,022			

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SALES DISTRIBUTION BY PRODUCT

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FOREIGN SALES

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MAIN PRODUCTS	NET SALES		DESTINATION	MAIN	
	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
EXPORT					
FOREIGN SUBSIDIARIES					
TOTAL		0			

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**PROJECT, AMOUNT EXERCISED AND PROGRESS
PERCENTAGE**

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NOT APPLICABLE

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**INFORMATION RELATED TO BULLETIN B-15
(FOREIGN CURRENCY TRANSLATION)**

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FOREIGN CURRENCY TRANSACTIONS ARE RECORDED AT THE RATE OF EXCHANGE PREVAILING ON THE DATE OF EXECUTION OR SETTLEMENT. FOREIGN CURRENCY ASSETS AND LIABILITIES ARE TRANSLATED AT THE EXCHANGE RATE IN FORCE AT THE BALANCE SHEET DATE. EXCHANGE DIFFERENCES ARISING FROM ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES ARE RECOGNIZED IN THE RESULTS OF OPERATION AS PART OF THE COMPREHENSIVE FINANCING RESULT.

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ANALYSIS OF PAID CAPITAL STOCK

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SERIES	NOMINAL VALUE	VALID COUPON	NUMBER OF SHARES				CAPITAL STOCK	
			FIXED PORTION	VARIABLE PORTION	MEXICAN	FREE SUBSCRIPTION	FIXED	VARIABLE
A	0.00000	0	96,636,627	0	96,636,627	0	73,012	0
B	0.00000	0	8,672,716,596	0	0	8,672,716,596	6,552,524	0
TOTAL			8,769,353,223	0	96,636,627	8,672,716,596	6,625,536	0

TOTAL NUMBER OF SHARES REPRESENTING THE PAID IN CAPITAL STOCK ON THE DATE OF SENDING THE INFORMATION

8,769,353,223

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DERIVATIVE FINANCIAL INSTRUMENTS

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AXTEL, S.A.B. DE C.V. REPORTS THEIR OPERATIONS WITH FINANCIAL DERIVATIVE INSTRUMENTS, COMPLEMENTARY TO THE 3RD QUARTER FINANCIAL INFORMATION REPORT:

QUALITATIVE AND QUANTITATIVE INFORMATION:

DERIVATIVES POLICY

AXTEL, S.A.B. DE C.V. (" THE COMPANY OR AXTEL ") 'S INTERNAL POLICY IS TO CONTRACT DERIVATIVE INSTRUMENTS TO MITIGATE PRIMARILY EXCHANGE AND INTEREST RATE RISK EXPOSURE WITH RESPECT TO OUR FOREIGN CURRENCY OBLIGATIONS OR COMMITMENTS CONTRACTED IN CURRENCIES DIFFERENT THAN THE MEXICAN PESO.

THE STRATEGY OF THE COMPANY DEPENDS ON THE PARTICULAR RISK TO BE HEDGED, IN ACCORDANCE TO THE ESTABLISHED POLICY. WE PREFER INSTRUMENTS THAT COMPLY WITH FRS C-10 OF THE MEXICAN FINANCIAL INFORMATION RULES AS HEDGE INSTRUMENTS, ALTHOUGH OTHER INSTRUMENTS CAN BE CONSIDERED ALSO AS LONG AS SUCH INSTRUMENTS REDUCE AXTEL'S RISKS AGAINST ITS FOREIGN CURRENCY EXPOSURE. ONCE DEFINED THE TYPE OF FINANCIAL INSTRUMENT TO BE USED, THE COMPANY DEALS WITH INTERNATIONAL COUNTERPARTIES ON THE OVER THE COUNTER MARKET ("OTC"). THE COUNTERPARTY MUST HAVE INVESTMENT GRADE BY THE MAJOR RATING AGENCIES OR MET AXTEL'S INTERNAL TREASURY POLICIES. THE COMPANY REQUESTS AT LEAST TWO QUOTES FROM COUNTERPARTIES. THESE ARE COMPARED AND ANALYZED UNDER THE PARAMETERS OF THE FINANCIAL INFORMATION STANDARD (FRS) C-10, AND THEN THE MOST COMPETITIVE IS SELECTED. ALL THE OPERATIONS MUST BE AUTHORIZED BY THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR.

THE VALUATION AGENTS ARE ESTABLISHED IN THE CONTRACT OF FINANCIAL DERIVATIVE INSTRUMENTS OR INTERNATIONAL SWAP DERIVATIVES ASSOCIATION, ("ISDA") AND THEIR SCHEDULES. THESE DOCUMENTS CONTAIN THE TERMS AND CONDITIONS AND THE REQUIRED DOCUMENTATION FOR EACH TRANSACTION, SUCH AS: PAYMENT DATES, CALCULATION AGENT, DEFAULTS, CURRENCY OF DELIVERY, MARGIN CALLS AND APPLICABLE LEGISLATION AMONG OTHERS. IN ORDER TO DETERMINE THE MARK TO MARKET ON A SPECIFIC DATE, THE COMPANY REALIZES THEIR OWN VALUATIONS EXTRACTING ECONOMIC INFORMATION FROM SPECIALIZED SOURCES SUCH AS REUTERS, BLOOMBERG, BANXICO'S WEB PAGE, AND OTHER FINANCIAL INSTITUTIONS.

DURING THE 3RD QUARTER 2011 NO HEDGE TRANSACTIONS WERE TRADED BY THE COMPANY.

MARGINS CALLS, COLLATERAL AND CREDIT LINES.

MARGINS CALLS AND COLLATERALS ARE ESTABLISHED ALSO IN THE ISDA AGREEMENT. THESE ARE ESTABLISHED BY THE COUNTERPARTIES DEPENDING ON THE AUTHORIZED CREDIT LINES AND DETERMINED THRESHOLD LIMITS. THE COMPANY DOES NOT OPERATE WITH COUNTERPARTIES THAT DO NOT OFFER REASONABLE LINES RELATIVE TO THE SIZE OF THE TRANSACTION CLOSED. A TRANSACTION IS NOT NEGOTIATED WITH A COUNTERPARTY THAT DOES NOT OFFER A SUFFICIENT LINE RELATED TO THAT SPECIFIC HEDGE.

THE COMPANY HAS FOUR MILLION AND TWO HUNDRED THOUSAND DOLLARS POSTED AS COLLATERAL AS OF SEPTEMBER 30TH. 2011, MAINLY DUE TO THE APPRECIATION OF THE PESO AGAINST DE US DOLLAR. THESE MARGIN CALLS ARE HELD BY 2 COUNTERPARTIES (3.6 MILLION BY DEUTSCHE BANK AND 0.6 MILLION BY MORGAN STANLEY), IT SHOULD BE NOTED THAT THE COMPANY HAS NOT INCURRED IN ANY VIOLATION WITH RESPECT TO A MARGIN CALLS MADE BY COUNTERPARTIES DESCRIBED IN THIS DOCUMENT

LEVELS OF AUTHORIZATION

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

QUARTER: 03 YEAR: 2011

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THE AUTHORIZED OFFICERS TO CLOSE DERIVATIVE TRANSACTIONS ARE THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR, WITH APPROVAL OF THE CHIEF FINANCIAL OFFICER. DEPENDING ON THE NOTIONAL AMOUNT OF EACH TRANSACTION, THE INTERNAL TREASURY COMMITTEE IS INFORMED AND SUBSEQUENTLY APPROVES CERTAIN TRANSACTIONS, ACCORDING TO AXTEL'S INTERNAL TREASURY POLICIES. THE PROCEDURE OF EVERY OPERATION IS REALIZED WITH TWO OR MORE QUOTES WHICH ARE SHOWN BY THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR TO THE CHIEF FINANCIAL OFFICER WHO DECIDES TO PROCEED OR NOTWITH SUCH OPERATION.

PROCEDURES OF INTERNAL CONTROL

ONCE THE TRANSACTION IS CLOSED, THE COUNTERPARTY SEND A CONFIRMATION WHICH SPECIFIES THE TERMS AND CONDITIONS OF THE DEAL TO THE COMPANY. THE COMPANY'S TREASURY DEPARTMENT ("TREASURY") REVIEWS IT AND SENDS IT TO THE ACCOUNTING DEPARTMENT FOR ITS PROPER REGISTRATION.

IN ORDER TO KEEP CONTROL OVER EACH TRANSACTION, ON A MONTHLY BASIS, TREASURY EXECUTES VALUATIONS TO DETERMINE THE MARK TO MARKET AND THE EFFECTIVENESS OF THE DERIVATIVE INSTRUMENTS. THESE VALUATIONS ARE PERFORMED WITH TESTS ESTABLISHED IN THE FRS C-10. ONCE THIS VALUATIONS ARE MADE, THE INFORMATION IS PASSED ALONG TO THE ACCOUNTING DEPARTMENT FOR PROPER REGISTRATION IN THE BOOKS. ON A QUARTERLY BASIS, OUR EXTERNAL AUDITORS REVIEW THE ABOVE MENTIONED RECORDS APPLYING THEIR OWN VALUATION AND CALCULATION METHODS.

EXTERNAL REVIEW

KPMG CARDENAS DOSAL, S.C., THE COMPANY'S EXTERNAL AUDITORS, REVIEWS PERIODICALLY THE VALUATION AND ACCOUNTING RECORDS OF THESE OPERATIONS.

VALUATION TECHNIQUES

THE VALUATION OF DERIVATIVE INSTRUMENTS WITH HEDGING PURPOSES IS REALIZED USING ITS FAIR VALUE METHOD.

WITH THE PURPOSE OF MONITORING THE EFFECTIVENESS OF DERIVATIVES WITH HEDGING PURPOSES, PROSPECTIVE (ANALYSIS OF LINEAR REGRESSION) AND RETROSPECTIVES (PERIODIC OR ACCUMULATED COMPENSATION) TESTS ARE REALIZED USING STATISTICAL SAMPLES OF MARKET VARIABLES (INTEREST AND EXCHANGE RATES), IN ACCORDANCE TO THE FRS C-10. THIS TECHNIQUE ALLOWS THE MONITORING OF THE DERIVATIVE INSTRUMENTS' PERFORMANCE AND THE LIKELIHOOD THAT A PARTICULAR DERIVATIVE INSTRUMENT COULD NOT BE TREATED AS A HEDGE INSTRUMENT IN THE FUTURE.

AXTEL PREPARES ITS OWN VALUATIONS, WHICH IS COMPARED AGAINST THE COUNTERPARTY'S VALUATION. IF THERE IS A SIGNIFICANT DIFFERENCE, FURTHER CLARIFICATION IS REQUESTED.

IN ORDER TO DETERMINE THE EFFECTIVENESS OF THE HEDGING, THE METHOD OF PERIODIC COMPENSATION IS USED.

AT LEAST ONCE A YEAR, THE EXTERNAL AUDITORS OF THE COMPANY (KPMG CARDENAS DOSAL, S.C) REVIEW THE DERIVATIVE INSTRUMENTS ACCOUNTING RECORDS AND VALIDATE THEIR EFFECTIVENESS IN ACCORDANCE WITH THE FRS C-10.

SOURCES OF LIQUIDITY.

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MOST OF COMPANY'S REVENUES ARE PESOS DENOMINATED. WITH THE PURPOSE OF ELIMINATING THE RISK ASSOCIATED OF HAVING REVENUES IN PESOS AND INTEREST PAYMENT OBLIGATIONS IN DOLLARS ASSOCIATED WITH THE SENIOR NOTES (SEE "DEBT PROFILE"), THE COMPANY ENTERED INTO "INTEREST ONLY SWAPS" AND FX FORWARDS, WHEREBY, THE COMPANY EFFECTIVELY LOCKS THE ABOVE MENTIONED INTEREST PAYMENTS INTO PESOS, MET WITH THE CASH FLOW GENERATED BY ITS OPERATION.

THE COMPANY HAS LINES OF CREDIT FOR THIS TYPE OF INSTRUMENTS FOR APPROXIMATELY \$29 MILLION DOLLARS GRANTED BY THE RESPECTIVE COUNTERPARTIES.

CHANGES IN THE RISK EXPOSURE

THE RISKS THAT ARE IDENTIFIED ARE: THE DECREASE OF THE EXCHANGE RATE FOR ALL THE DERIVATIVE INSTRUMENTS, .IT IS IMPORTANT TO MENTION THAT REGARDING THE MXN DEPRECIATION DURING THE THIRD QUARTER OF 2011,THE COMPANY RECALL 7.2 MILLION DUE TO A COLLATERAL EXCESS THEREFORE THERE WERE MARGIN CALLS FOR DURING THE QUARTER.

QUANTITATIVE INFORMATION (FIGURES EXPRESSED IN THOUSANDS EXCEPT THAT ANOTHER REFERENCE IS INDICATED).

AS OF SEPTEMBER 30, 2011, THE FAIR VALUE OF THE DERIVATIVE INSTRUMENTS CONTRACTED, NET FROM THE VALUE OF THE EMBEDDED DERIVATIVES, AND REPRESENTS AN ASSET OR LONG POSITION OF \$164.5MILLION. DETAILS OF THE DERIVATIVE INSTRUMENTS OF THE 3RD QUARTER 2011 ARE DISCLOSED IN THE FOLLOWING TABLE:

HEDGE TYPE	NOTIONAL AMOUNT	FAIR VALUE		CREDIT LINE
		ACTUAL QUARTER	PAST QUARTER	
1 FX FWD STRIP CS	3,038,750	17,631	(7,612)	15,000 USD
2 FX FWD STRIP CS	2,884,605	94,649	(25,553)	15,000 USD
3 FX FWD STRIP CS	2,479,600	48,397	(19,473)	15,000 USD
4 FX FWD STRIP CITI	928,575	7,383	(18,383)	7,000 USD
5 CROSS CURRENCY SWAP MS	327,250	(1,124)	(17,598)	0 USD
6 CROSS CURRENCY SWAP DB	1,320,200	(9,576)	(74,840)	3,000 USD
7 CROSS CURRENCY SWAP DB	818,838	7,229	(32,481)	3,000 USD
8 CROSS CURRENCY SWAP ML	657,575	(3,253)	(36,417)	7,000 USD
9 CROSS CURRENCY SWAP ML	314,975	3,096	(12,512)	7,000 USD

ALL OPERATIONS DESCRIBED IN THE ABOVE TABLE ARE FOR HEDGING PURPOSES. THE REFERENCE VARIABLE FOR ALL TRANSACTIONS IS \$ 13.4217 FOR THE CURRENT QUARTER, AND 11.8389 FOR THE PREVIOUS QUARTER

ANNUAL FLOWS PAYABLE ON DERIVATIVE FINANCIAL INSTRUMENTS (AMOUNTS IN THOUSANDS OF PESOS):

COUNTERPARTY	PRINCIPAL	2011	2012	2013	2014
1 CREDIT SUISSE	3,038,750	128,083	128,083	-	-

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2 CREDIT SUISSE	2,884,605	130,658	261,316	261,316	261,316
3 CREDIT SUISSE	2,479,600	-	101,168	202,335	202,335
4 CITIBANK-BANAMEX	928,575	-	39,790	79,579	79,579
5 MORGAN STANLEY	327,250	16,493	32,987	32,987	32,987
6 DEUTSCHE BANK	1,320,200	66,719	133,438	133,438	133,438
7 DEUTSCHE BANK	818,838	40,929	81,858	81,858	81,858
8 BOFA ML	657,575	33,150	66,300	66,300	66,300
9 BOFA ML	314,975	15,717	31,435	31,435	31,435

ANNUAL FLOWS RECEIVABLE ON DERIVATIVE FINANCIAL INSTRUMENTS (AMOUNTS IN THOUSANDS) :

COUNTERPARTY	PRINCIPAL	2011	2012	2013	2014
1 CREDIT SUISSE	275,000	10,484	10,484	-	-
2 CREDIT SUISSE	225,000	10,125	20,250	20,250	20,250
3 CREDIT SUISSE	200,000	-	7,625	15,250	15,250
4 CITIBANK-BANAMEX	75,000	-	2,860	5,719	5,719
5 MORGAN STANLEY	25,000	1,125	2,250	2,250	2,250
6 DEUTSCHE BANK	100,000	4,500	9,000	9,000	9,000
7 DEUTSCHE BANK	65,000	2,925	5,850	5,850	5,850
8 BOFA ML	50,000	2,250	4,500	4,500	4,500
9 BOFA ML	25,000	1,125	2,250	2,250	2,250

ADDITIONAL TO THE ABOVE INFORMATION, AN ASSET OF \$44 IS REGISTERED TO RECOGNIZE THE EFFECT OF THE CONTRACT TERMS AND CLAUSES THAT HAVE EMBEDDED DERIVATIVE CHARACTERISTICS (EMBEDDED DERIVATIVE) WITHIN 5 LEASING AGREEMENTS.

SENSIBILITY ANALYSIS:

AXTEL'S DERIVATIVE INSTRUMENTS HAVE BEEN EFFECTIVE, AND IT IS EXPECTED THAT IT WILL CONTINUE TO BE ACCORDING TO THE REGRESSION ANALYSIS REALIZED ON SEPTEMBER 30TH, 2011.

IN CARRYING OUT THE QUARTERLY PROSPECTIVE EFFECTIVENESS TEST, THE DATA USED WAS FOR THE LAST 20 WEEKS PRIOR TO THE DATE OF EACH QUARTERLY ANALYSIS.

AXTEL HAS THE SUPPORT OF THE EXTERNAL AUDITOR, WHO REVIEWS THE COMPLIANCE OF THE INTERNAL POLICY, AND MAKES SURE THAT THE RESULTS ARE REASONABLE.

IT IS IMPORTANT TO MENTION THAT NONE OF THE OPERATIONS OF DERIVATIVE INSTRUMENTS CONTRACTED BY AXTEL PUTS THE COMPANY'S OPERATION AT RISK, GIVEN THAT THE NATURE OF THE INSTRUMENTS ARE TO REDUCE THE EXCHANGE AND INTEREST RATES EXPOSURE IN A FOREIGN CURRENCY.

HOWEVER THE COMPANY CONDUCTS ITS TESTS OF EFFECTIVENESS IN ACCORDANCE WITH APPLICABLE ACCOUNTING STANDARDS, OR TESTS WERE CONDUCTED ANALYSIS OF "STRESS " OR SENSITIVITY TAKING INTO ACCOUNT THE RISK INHERENT IN DERIVATIVE CONTRACTS BY THE COMPANY, WHOSE VARIABLE FOR THE SAME WOULD BE SHARP APPRECIATION IN THE PESO DOLLAR, WHICH COULD AFFECT THE MARKET VALUE THEREOF. THESE TESTS WERE CONDUCTED UNDER THREE DIFFERENT SCENARIOS:

1)APRECIATION OF 5% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 3RD QUARTER (11.1196)

2)APRECIATION OF 10% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 3RD QUARTER

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(10.5343)

3) APRECIATION OF 15% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 3RD QUARTER
(9.9500)

THE ESTIMATED MARKET VALUES WITH THE DIFFERENT SCENARIOS WERE AS FOLLOWS (FIGURES IN THOUSANDS OF PESOS):

COUNTERPARTY	TERM	CONTRACTED		ESTIMATED FV		
		FX	ACTUAL FV	5%	10%	15%
CREDIT SUISSE	SEMIANNUAL	11.05	17,631	11 832	4,600	(2,632)
CREDIT SUISSE	SEMIANNUAL	12.82	94,649	61,663	20,782	(20,100)
CREDIT SUISSE	SEMIANNUAL	12.398	48,397	22,752	(3,037)	(28,645)
CITIBANK	SEMIANNUAL	12.381	7,383	(2,455)	(12,059)	(21,662)
MORGAN STANLEY	SEMIANNUAL	13.09	(1,124)	(5,307)	(9,849)	(14,391)
DEUTSCHE BANK	SEMIANNUAL	13.202	(9,576)	(25,365)	(43,535)	(61,705)
DEUTSCHE BANK	SEMIANNUAL	12.5975	7,229	(2,946)	(14,756)	(26,567)
BOFA ML	SEMIANNUAL	13.1515	(3,253)	(11,520)	(20,604)	(29,689)
BOFA ML	SEMIANNUAL	12.599	3,096	(996)	(5,538)	(10,080)
EMBEDED DERIVATIVES			44	46	49	52
TOTAL			164,479	47,525	(83,947)	(215,419)

SUMMARY BY COUNTERPARTY:

COUNTERPARTY	5% APPRECIATION TC		
	MARKET VALUE	CREDIT LINE	MARGINING CALL
CREDIT SUISSE	96,068	197,840	-
CITIBANK	(2,455)	92,325	-
MORGAN STANLEY	(5,307)	-	5,307
DEUTSCHE BANK	(28,312)	-	28,312
BOFA ML	(12,515)	92,325	-
TOTAL	47,479	382,490	33,618

COUNTERPARTY	10% APPRECIATION TC		
	MARKET VALUE	CREDIT LINE	MARGINING CALL
CREDIT SUISSE	(222,345)	187,427	-
CITIBANK	(12,059)	87,466	-
MORGAN STANLEY	(9,849)	-	9,849
DEUTSCHE BANK	(58,291)	-	58,291
BOFA ML	(26,142)	87,466	-
TOTAL	(83,996)	362,359	68,140

COUNTERPARTY	15% APPRECIATION TC		
	MARKET VALUE	CREDIT LINE	MARGINING CALL
CREDIT SUISSE	(51,377)	177,015	-
CITIBANK	(21,662)	82,607	-
MORGAN STANLEY	(14,391)	-	14,391
DEUTSCHE BANK	(88,271)	-	88,271
BOFA ML	(39,770)	82,607	-

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TOTAL	(215,471)	342,228	102,662
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RESULTS PER SCENARIO:

1) IN AN APPRECIATION IN THE EXCHANGE RATE OF 5% OR 13.1893 PESOS PER USD, THE MARGIN CALL WOULD BE 33.6 MILLION PESOS, OR 2.5 MILLION USD.

2) IN AN APPRECIATION IN THE EXCHANGE RATE OF 10% OR 12.4951 PESOS PER USD, THE MARGIN CALLS WOULD BE 68.1 MILLION PESOS OR 5.5 MILLION USD.

3) AND FINALLY TO AN APPRECIATION IN THE EXCHANGE RATE OF 15% TO 11.8001 PESOS PER USD, THE MARGIN CALLS WOULD BE 102.6 MILLION PESOS OR 8.7 MILLION USD.

THIS CONCLUDES THAT WHILE A STRONG APPRECIATION IN THE EXCHANGE RATE WOULD NOT AFFECT LIQUIDITY FOR THE COMPANY, WE WITHOUT THREATENING THE VIABILITY OF AXTEL, ON THE OTHER HAND, BOTH INVESTMENT IN CAPEX AND PRINCIPAL OF DEBT DENOMINATED IN U.S. DOLLARS WOULD OFFSET THESE MOVEMENTS IN THE EXCHANGE RATE.

BELOW ARE THE DETAILS OF THE DERIVATIVE INSTRUMENTS FROM THE COMPANY AS WELL AS THE MARK TO MARKET AND THE FINANCIAL STATEMENTS CORRESPONDING TO SEPTEMBER 30, 2011:

COUNTERPARTY	PRINCIPAL THOUSANDS OF MXP	AXTEL PAYS OF USD	PERIOD	PRINCIPAL THOUSAND	AXTEL RECEIVES
CREDIT SUISSE	3,038,750	8.43	SEMIANNUAL	275,000	7.6250
CREDIT SUISSE	2,884,605	9.059	SEMIANNUAL	225,000	9.00
CREDIT SUISSE	2,479,600	8.16	SEMIANNUAL	200,000	7.6250
CITIBANK-BANAMEX	928,575	8.57	SEMIANNUAL	75,000	7.6250
MORGAN STANLEY	327,250	10.0800	SEMIANNUAL	25,000	9.00
DEUTSCHE BANK	1,320,200	10.107375	SEMIANNUAL	100,000	9.00
DEUTSCHE BANK	818,838	9.9969	SEMIANNUAL	65,000	9.00
BOFA ML	657,575	10.0825	SEMIANNUAL	50,000	9.00
BOFA ML	304,975	9.98	SEMIANNUAL	25,000	9.00

COUNTERPARTY	PERIOD	EXCHANGE RATE	STARTING DATE	ENDING DATE	MARK TO MARKET THOUSANDS OF MXP
CREDIT SUISSE	SEMIANNUAL	11.05	13-DEC-10	01-FEB-12	17,631
CREDIT SUISSE	SEMIANNUAL	12.8200	13-DEC-10	22-SEP-14	94,649
CREDIT SUISSE	SEMIANNUAL	12.398	13-DEC-10	01-AUG-14	48,397
CITIBANK	SEMIANNUAL	12.381	20-OCT-10	01-AUG-14	7,383
MORGAN STANLEY	SEMIANNUAL	13.0900	14-OCT-09	22-SEP-14	(1,124)
DEUTSCHE BANK	SEMIANNUAL	13.2020	11-NOV-09	22-SEP-14	(9,576)
DEUTSCHE BANK	SEMIANNUAL	12.5975	30-MAR-10	22-SEP-14	7,229
BOFA ML	SEMIANNUAL	13.1515	17-NOV-09	22-SEP-14	(3,253)
BOFA ML	SEMIANNUAL	12.5990	11-MAR-10	22-SEP-14	3,096
EMBEDED DERIVATIVES					44
				TOTAL	164,476

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PRESENTATION OF THE FINANCIAL STATEMENTS:

ASSET ACCOUNT "DERIVATIVE INSTRUMENTS" (MARK TO MARKET): \$178,429 (SEE LINE S81 OF THE BALANCE SHEET).

LIABILITIE ACCOUNT "DERIVATIVE INSTRUMENTS" (MARK TO MARKET): \$13,953 (SEE LINE S88 OF THE BALANCE SHEET).

EQUITY ACCOUNT "ACCUMULATED EFFECT BY VALUATION OF DERIVATIVE INSTRUMENTS": \$18,321 (SEE LINE S97 OF THE BALANCE SHEET).

CREDIT TO THE COMPREHENSIVE FINANCIAL RESULT FOR "VARIATION OF THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS": \$152 (INCLUDED IN THE LINE R46 "OTHER FINANCIAL PRODUCTS" OF THE INCOME STATEMENTS).
