

# MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **04** YEAR: **2011**

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

## BALANCE SHEETS

TO DECEMBER 31 OF 2011 AND 2010

**CONSOLIDATED**

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
<b>s01</b>	<b>TOTAL ASSETS</b>	<b>22,277,272</b>	<b>100</b>	<b>22,531,578</b>	<b>100</b>
<b>s02</b>	<b>CURRENT ASSETS</b>	<b>4,342,730</b>	<b>19</b>	<b>4,443,154</b>	<b>20</b>
s03	CASH AND AVAILABLE INVESTMENTS	1,425,023	6	1,308,264	6
s04	ACCOUNTS AND NOTES RECEIVABLE (NET)	2,018,013	9	2,240,534	10
s05	OTHER ACCOUNTS AND NOTES RECEIVABLE (NET)	344,080	2	401,682	2
s06	INVENTORIES	152,756	1	165,629	1
s07	OTHER CURRENT ASSETS	402,858	2	327,045	1
<b>s08</b>	<b>LONG-TERM</b>	<b>27,379</b>	<b>0</b>	<b>71,687</b>	<b>0</b>
s09	ACCOUNTS AND NOTES RECEIVABLE (NET)	17,712	0	27,346	0
s10	INVESTMENTS IN SHARES OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	9,667	0	9,807	0
s11	OTHER INVESTMENTS	0	0	34,534	0
<b>s12</b>	<b>PROPERTY, PLANT AND EQUIPMENT (NET)</b>	<b>15,517,788</b>	<b>70</b>	<b>15,769,472</b>	<b>70</b>
s13	LAND AND BUILDINGS	430,990	2	430,990	2
s14	MACHINERY AND INDUSTRIAL EQUIPMENT	27,518,874	124	26,312,273	117
s15	OTHER EQUIPMENT	3,823,225	17	3,671,214	16
s16	ACCUMULATED DEPRECIATION	19,021,012	85	16,733,820	74
s17	CONSTRUCTION IN PROGRESS	2,765,711	12	2,088,815	9
<b>s18</b>	<b>OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)</b>	<b>717,550</b>	<b>3</b>	<b>753,109</b>	<b>3</b>
<b>s19</b>	<b>OTHER ASSETS</b>	<b>1,671,825</b>	<b>8</b>	<b>1,494,156</b>	<b>7</b>
<b>s20</b>	<b>TOTAL LIABILITIES</b>	<b>16,537,126</b>	<b>100</b>	<b>14,898,110</b>	<b>100</b>
<b>s21</b>	<b>CURRENT LIABILITIES</b>	<b>4,030,479</b>	<b>24</b>	<b>4,737,194</b>	<b>32</b>
s22	SUPPLIERS	2,395,837	14	2,668,135	18
s23	BANK LOANS	0	0	280,000	2
s24	STOCK MARKET LOANS	0	0	0	0
s103	OTHER LOANS WITH COST	380,880	2	375,996	3
s25	TAXES PAYABLE	168,319	1	153,733	1
s26	OTHER CURRENT LIABILITIES WITHOUT COST	1,085,443	7	1,259,330	8
<b>s27</b>	<b>LONG-TERM LIABILITIES</b>	<b>12,094,395</b>	<b>73</b>	<b>9,772,835</b>	<b>66</b>
s28	BANK LOANS	838,904	5	0	0
s29	STOCK MARKET LOANS	10,702,656	65	9,453,182	63
s30	OTHER LOANS WITH COST	552,835	3	319,653	2
<b>s31</b>	<b>DEFERRED LIABILITIES</b>	<b>82,232</b>	<b>0</b>	<b>88,469</b>	<b>1</b>
<b>s32</b>	<b>OTHER NON CURRENT LIABILITIES WITHOUT COST</b>	<b>330,020</b>	<b>2</b>	<b>299,612</b>	<b>2</b>
<b>s33</b>	<b>CONSOLIDATED STOCKHOLDERS EQUITY</b>	<b>5,740,146</b>	<b>100</b>	<b>7,633,468</b>	<b>100</b>
<b>s34</b>	<b>COUNTABLE CAPITAL OF THE PARTICIPATION NOT CONTROLADORA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>s35</b>	<b>COUNTABLE CAPITAL OF THE PARTICIPATION CONTROLADORA</b>	<b>5,740,146</b>	<b>100</b>	<b>7,633,468</b>	<b>100</b>
<b>s36</b>	<b>CONTRIBUTED CAPITAL</b>	<b>8,303,746</b>	<b>145</b>	<b>8,303,746</b>	<b>109</b>
s79	CAPITAL STOCK	7,562,075	132	7,562,075	99
s39	PREMIUM ON ISSUANCE OF SHARES	741,671	13	741,671	10
s40	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0	0	0
<b>s41</b>	<b>EARNED CAPITAL</b>	<b>-2,563,600</b>	<b>-45</b>	<b>-670,278</b>	<b>-9</b>
s42	RETAINED EARNINGS AND CAPITAL RESERVES	-2,541,369	-44	-498,447	-7
s44	OTHER ACCUMULATED COMPREHENSIVE RESULT	-22,231	0	-171,831	-2
s80	SHARES REPURCHASED	0	0	0	0

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

QUARTER: **04**      YEAR: **2011**

## BALANCE SHEETS

BREAKDOWN OF MAIN CONCEPTS

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF S	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
s03	<b>CASH AND AVAILABLE INVESTMENTS</b>	1,425,023	100	1,308,264	100
s46	<b>CASH</b>	904,068	63	123,984	9
s47	AVAILABLE INVESTMENTS	520,955	37	1,184,280	91
s07	<b>OTHER CURRENT ASSETS</b>	402,858	100	327,045	100
s81	DERIVATIVE FINANCIAL INSTRUMENTS	188,066	47	55,978	17
s82	DISCONTINUED OPERATIONS	0	0	0	0
s83	<b>OTHER</b>	214,792	53	271,067	83
s18	<b>OTHER INTANGIBLE ASSETS AND DEFERRED ASSETS (NET)</b>	717,550	100	753,109	100
s48	DEFERRED EXPENSES (NET)	717,550	100	753,109	100
s49	GOODWILL	0	0	0	0
s51	<b>OTHER</b>	0	0	0	0
s19	<b>OTHER ASSETS</b>	1,671,825	100	1,494,156	100
s85	DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
s50	DEFERRED TAXES	1,544,091	92	1,351,541	90
s104	BENEFITS TO EMPLOYEES	0	0	0	0
s86	DISCONTINUED OPERATIONS	0	0	0	0
s87	OTHER	127,734	8	142,615	10
s21	<b>CURRENT LIABILITIES</b>	4,030,479	100	4,737,194	100
s52	<b>FOREIGN CURRENCY LIABILITIES</b>	1,761,144	44	2,194,202	46
s53	MEXICAN PESOS LIABILITIES	2,269,335	56	2,542,992	54
s26	<b>OTHER CURRENT LIABILITIES WITHOUT COST</b>	1,085,443	100	1,259,330	100
s88	DERIVATIVE FINANCIAL INSTRUMENTS	20,609	2	131,344	10
s89	INTEREST LIABILITIES	297,107	27	261,692	21
s68	PROVISIONS	0	0	0	0
s90	DISCONTINUED OPERATIONS	0	0	0	0
s58	OTHER CURRENT LIABILITIES	767,727	71	866,294	69
s105	BENEFITS TO EMPLOYEES	0	0	0	0
s27	<b>LONG-TERM LIABILITIES</b>	12,094,395	100	9,772,835	100
s59	<b>FOREIGN CURRENCY LIABILITIES</b>	11,478,717	95	9,646,477	99
s60	MEXICAN PESOS LIABILITIES	615,678	5	126,358	1
s31	DEFERRED LIABILITIES	82,232	100	88,469	100
s65	NEGATIVE GOODWILL	0	0	0	0
s67	<b>OTHER</b>	82,232	100	88,469	100
s32	<b>OTHER NON CURRENT LIABILITIES WITHOUT COST</b>	330,020	100	299,612	100
s66	DEFERRED TAXES	0	0	0	0
s91	OTHER LIABILITIES IN RESPECT OF SOCIAL INSURANCE	76,891	23	75,788	25
s92	DISCONTINUED OPERATIONS	0	0	0	0
s69	OTHER LIABILITIES	253,129	77	223,824	75
s79	<b>CAPITAL STOCK</b>	7,562,075	100	7,562,075	100
s37	<b>CAPITAL STOCK (NOMINAL)</b>	6,625,536	88	6,625,536	88
s38	<b>RESTATEMENT OF CAPITAL STOCK</b>	936,539	12	936,539	12

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		Amount	%	Amount	%
<b>s42</b>	<b>RETAINED EARNINGS AND CAPITAL RESERVES</b>	<b>-2,541,369</b>	<b>100</b>	<b>-498,447</b>	<b>100</b>
s93	LEGAL RESERVE	0	0	0	0
s43	RESERVE FOR REPURCHASE OF SHARES	162,334	-6	162,334	-33
s94	OTHER RESERVES	0	0	0	0
s95	RETAINED EARNINGS	-660,781	26	-353,640	71
s45	NET INCOME FOR THE YEAR	-2,042,922	80	-307,141	62
<b>s44</b>	<b>OTHER ACCUMULATED COMPREHENSIVE RESULT</b>	<b>-22,231</b>	<b>100</b>	<b>-171,831</b>	<b>100</b>
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	-22,231	100	-171,831	100
s98	CUMULATIVE EFFECT OF DEFERRED INCOME TAXES	0	0	0	0
s100	OTHER	0	0	0	0

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## BALANCE SHEETS

OTHER CONCEPTS

**CONSOLIDATED**

(Thousand Pesos)

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REF S	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
s72	<b>WORKING CAPITAL</b>	312,251	-294,040
s73	<b>PENSIONS AND SENIORITY PREMIUMS</b>	0	0
s74	EXECUTIVES (*)	205	214
s75	<b>EMPLOYEES (*)</b>	<b>6,250</b>	<b>6,967</b>
s76	WORKERS (*)	1,569	1,799
s77	OUTSTANDING SHARES (*)	8,769,353,223	8,769,353,223
s78	REPURCHASED SHARES (*)	0	0
s101	<b>RESTRICTED CASH</b>	<b>52,127</b>	<b>58,121</b>
s102	<b>DEBT OF NON CONSOLIDATED COMPANIES</b>	<b>0</b>	<b>0</b>

(\*) THESE CONCEPTS ARE STATED IN UNITS

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## STATEMENTS OF INCOME

FROM JANUARY THE 1st TO DECEMBER 31 OF 2011 AND 2010

**CONSOLIDATED**

(Thousand Pesos)

Final Printing

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
<b>r01</b>	<b>NET SALES</b>	<b>10,829,405</b>	<b>100</b>	<b>10,651,961</b>	<b>100</b>
r02	COST OF SALES	2,799,269	26	2,955,488	28
<b>r03</b>	<b>GROSS PROFIT</b>	<b>8,030,136</b>	<b>74</b>	<b>7,696,473</b>	<b>72</b>
r04	GENERAL EXPENSES	7,592,649	70	7,462,050	70
<b>r05</b>	<b>INCOME (LOSS) FROM OPERATION</b>	<b>437,487</b>	<b>4</b>	<b>234,423</b>	<b>2</b>
r08	OTHER INCOME AND (EXPENSE), NET	-424,904	-4	41,291	0
r06	COMPREHENSIVE FINANCING RESULT	-2,239,422	-21	-594,202	-6
r12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	-141	0	6	0
r48	NON ORDINARY ITEMS	0	0	0	0
<b>r09</b>	<b>INCOME BEFORE INCOME TAXES</b>	<b>-2,226,980</b>	<b>-21</b>	<b>-318,482</b>	<b>-3</b>
r10	INCOME TAXES	-184,058	-2	-11,341	0
<b>r11</b>	<b>INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS</b>	<b>-2,042,922</b>	<b>-19</b>	<b>-307,141</b>	<b>-3</b>
r14	DISCONTINUED OPERATIONS	0	0	0	0
<b>r18</b>	<b>NET CONSOLIDATED INCOME</b>	<b>-2,042,922</b>	<b>-19</b>	<b>-307,141</b>	<b>-3</b>
r19	NET INCOME OF PARTICIPATION NOT CONTROLADORA	0	0	0	0
<b>r20</b>	<b>NET INCOME OF PARTICIPATION CONTROLADORA</b>	<b>-2,042,922</b>	<b>-19</b>	<b>-307,141</b>	<b>-3</b>

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BREAKDOWN OF MAIN CONCEPTS

**CONSOLIDATED**

(Thousand Pesos)

Final Printing

REF R	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
<b>r01</b>	<b>NET SALES</b>	<b>10,829,405</b>	<b>100</b>	<b>10,651,961</b>	<b>100</b>
r21	DOMESTIC	10,829,405	100	10,651,961	100
r22	FOREIGN	0	0	0	0
r23	TRANSLATED INTO DOLLARS (***)	0	0	0	0
<b>r08</b>	<b>OTHER INCOME AND (EXPENSE), NET</b>	<b>-424,904</b>	<b>100</b>	<b>41,291</b>	<b>100</b>
r49	OTHER INCOME AND (EXPENSE), NET	-419,449	99	38,468	93
r34	EMPLOYEES PROFIT SHARING EXPENSES	4,955	-1	6,051	15
r35	DEFERRED EMPLOYEES PROFIT SHARING	500	0	-8,874	-21
<b>r06</b>	<b>COMPREHENSIVE FINANCING RESULT</b>	<b>-2,239,422</b>	<b>100</b>	<b>-594,202</b>	<b>100</b>
r24	INTEREST EXPENSE	1,002,580	-45	956,126	-161
r42	GAIN (LOSS) ON RESTATEMENT OF UDIS	0	0	0	0
r45	OTHER FINANCE COSTS	77,615	-3	99,233	-17
r26	INTEREST INCOME	22,340	0	23,707	-4
r46	OTHER FINANCIAL PRODUCTS	0	0	0	0
r25	FOREIGN EXCHANGE GAIN (LOSS) (NET)	-1,181,567	53	437,450	-74
r28	RESULT FROM MONETARY POSITION	0	0	0	0
<b>r10</b>	<b>INCOME TAXES</b>	<b>-184,058</b>	<b>100</b>	<b>-11,341</b>	<b>100</b>
r32	INCOME TAX	73,105	-40	63,454	-560
r33	DEFERRED INCOME TAX	-257,163	140	-74,795	660

(\*\*\*) 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: **04**      YEAR: **2011**

## STATEMENTS OF INCOME

OTHER CONCEPTS  
 (Thousand Pesos)

**CONSOLIDATED**

Final Printing

REF R	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
r36	TOTAL SALES	10,829,405	10,651,961
r37	TAX RESULT FOR THE YEAR	0	0
r38	NET SALES (**)	10,829,405	10,651,961
r39	OPERATING INCOME (**)	437,487	234,423
r40	NET INCOME OF PARTICIPATION CONTROLADORA(**)	-2,042,922	-307,141
r41	NET CONSOLIDATED INCOME (**)	-2,042,922	-307,141
r47	OPERATIVE DEPRECIATION AND ACCUMULATED	3,137,098	2,993,357

(\*\*) RESTATED INFORMATION OF THE LAST TWELVE MONTHS

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QUARTER: **04**      YEAR: **2011**

## QUARTERLY STATEMENTS OF INCOME

FROM OCTOBER 1 TO DECEMBER 31 OF 2011

**CONSOLIDATED**

(Thousand Pesos)

Final Printing

REF RT	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
<b>rt01</b>	<b>NET SALES</b>	<b>2,768,382</b>	<b>100</b>	<b>2,723,363</b>	<b>100</b>
rt02	COST OF SALES	677,881	24	772,089	28
<b>rt03</b>	<b>GROSS PROFIT</b>	<b>2,090,501</b>	<b>76</b>	<b>1,951,274</b>	<b>72</b>
rt04	GENERAL EXPENSES	1,978,277	71	1,927,437	71
<b>rt05</b>	<b>INCOME (LOSS) FROM OPERATION</b>	<b>112,224</b>	<b>4</b>	<b>23,837</b>	<b>1</b>
rt08	OTHER INCOME AND (EXPENSE), NET	-394,604	-14	95,905	4
rt06	COMPREHENSIVE FINANCING RESULT	-720,189	-26	-161,063	-6
rt12	EQUITY IN NET INCOME OF NON-CONSOLIDATED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	-82	0	-4	0
rt48	NON ORDINARY ITEMS	0	0	0	0
<b>rt09</b>	<b>INCOME BEFORE INCOME TAXES</b>	<b>-1,002,651</b>	<b>-36</b>	<b>-41,325</b>	<b>-2</b>
rt10	INCOME TAXES	65,628	2	72,544	3
<b>rt11</b>	<b>INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS</b>	<b>-1,068,279</b>	<b>-39</b>	<b>-113,869</b>	<b>-4</b>
rt14	DISCONTINUED OPERATIONS	0	0	0	0
<b>rt18</b>	<b>NET CONSOLIDATED INCOME</b>	<b>-1,068,279</b>	<b>-39</b>	<b>-113,869</b>	<b>-4</b>
rt19	NET INCOME OF PARTICIPATION NOT CONTROLADORA	0	0	0	0
<b>rt20</b>	<b>NET INCOME OF PARTICIPATION CONTROLADORA</b>	<b>-1,068,279</b>	<b>-39</b>	<b>-113,869</b>	<b>-4</b>



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BREAKDOWN OF MAIN CONCEPTS

**CONSOLIDATED**

(Thousand Pesos)

Final Printing

REF RT	CONCEPTS	CURRENT YEAR		PREVIOUS YEAR	
		Amount	%	Amount	%
<b>rt0</b>	<b>NET SALES</b>	<b>2,768,382</b>	<b>100</b>	<b>2,723,363</b>	<b>100</b>
rt21	DOMESTIC	2,768,382	100	2,723,363	100
rt22	FOREIGN	0	0	0	0
rt23	TRANSLATED INTO DOLLARS (***)	0	0	0	0
<b>rt08</b>	<b>OTHER INCOME AND (EXPENSE), NET</b>	<b>-394,604</b>	<b>100</b>	<b>95,905</b>	<b>100</b>
rt49	OTHER INCOME AND (EXPENSE), NET	-394,687	100	92,760	97
rt34	EMPLOYEES PROFIT SHARING EXPENSES	2,008	0	3,886	4
rt35	DEFERRED EMPLOYEES PROFIT SHARING	-2,091	1	-7,031	-7
<b>rt06</b>	<b>COMPREHENSIVE FINANCING RESULT</b>	<b>-720,189</b>	<b>100</b>	<b>-161,063</b>	<b>100</b>
rt24	INTEREST EXPENSE	258,918	-36	256,009	-159
rt42	GAIN (LOSS) ON RESTATEMENT OF UDIS	0	0	0	0
rt45	OTHER FINANCE COSTS	15,174	-2	13,798	-9
rt26	INTEREST INCOME	-10,896	2	5,741	-4
rt46	OTHER FINANCIAL PRODUCTS	0	0	0	0
rt25	FOREIGN EXCHANGE GAIN (LOSS) (NET)	-435,201	60	103,003	-64
rt28	RESULT FROM MONETARY POSITION	0	0	0	0
<b>rt10</b>	<b>INCOME TAXES</b>	<b>65,628</b>	<b>100</b>	<b>72,544</b>	<b>100</b>
rt32	INCOME TAX	38,365	58	14,748	20
rt33	DEFERRED INCOME TAX	27,263	42	57,796	80

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

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## QUARTERLY STATEMENTS OF INCOME

OTHER CONCEPTS  
(Thousand Pesos)

**CONSOLIDATED**

**Final Printing**

REF RT	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
rt4 7	OPERATIVE DEPRECIATION AND ACCUMULATED IMPAIRMENT LOSSES	788,295	770,415

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QUARTER: **04**

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
	<b>ACTIVITIES OF OPERATION</b>		
e01	<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	-2,226,980	-318,482
e02	+ (-)ITEMS NOT REQUIRING CASH	5,455	-2,823
e03	+ (-)ITEMS RELATED TO INVESTING ACTIVITIES	3,570,079	3,006,988
e04	+ (-)ITEMS RELATED TO FINANCING ACTIVITIES	1,073,959	1,059,295
e05	<b>CASH FLOW BEFORE INCOME TAX</b>	2,422,513	3,744,978
e06	CASH FLOW PROVIDED OR USED IN OPERATION	-109,808	-130,718
e07	<b>NET CASH FLOWS PROVIDED OF OPERATING ACTIVITIES</b>	2,312,705	3,614,260
	<b>INVESTMENT ACTIVITIES</b>		
e08	NET CASH FLOW FROM INVESTING ACTIVITIES	-2,613,957	-3,464,411
e09	<b>FINANCING ACTIVITIES</b>	-301,252	149,849
	<b>FINANCING ACTIVITIES</b>		
e10	NET CASH FROM FINANCING ACTIVITIES	-763,556	193,625
e11	<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	-1,064,808	343,474
e12	<b>TRANSLATION DIFFERENCES IN CASH AND CASH EQUIVALENTS</b>	1,181,567	-437,450
e13	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	1,308,264	1,402,240
e14	<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	1,425,023	1,308,264

# MEXICAN STOCK EXCHANGE

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QUARTER: **04**

YEAR: **2011**

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

## STATE OF CASH FLOW (INDIRECT METHOD)

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BREAKDOWN OF MAIN CONCEPTS

(Thousand Pesos)

CONSOLIDATED

REF F	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
<b>e02</b>	<b>+ (-)ITEMS NOT REQUIRING CASH</b>	5,455	-2,823
e15	+ESTIMATES FOR THE PERIOD	0	0
e16	+PROVISIONS FOR THE PERIOD	5,455	-2,823
e17	+ (-)OTHER UNREALIZED ITEMS	0	0
<b>e03</b>	<b>+ (-)ITEMS RELATED TO INVESTING ACTIVITIES</b>	3,570,079	3,006,988
e18	+ DEPRECIATION AND AMORTIZATION FOR THE PERIOD	3,137,098	2,993,357
e19	(-) +GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	71,493	13,637
e20	+IMPAIRMENT LOSS	36,938	0
e21	(-) +EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES	141	-6
e22	(-)DIVIDENDS RECEIVED	0	0
e23	(-)INTEREST INCOME	0	0
e24	(-)+ OTHER ITEMS	324,409	0
<b>e04</b>	<b>+ (-)ITEMS RELATED TO FINANCING ACTIVITIES</b>	1,073,959	1,059,295
e25	+ACCRUED INTEREST	1,002,580	956,126
e26	+ (-) OTHER ITEMS	71,379	103,169
<b>e06</b>	<b>CASH FLOW PROVIDED OR USED IN OPERATION</b>	-109,808	-130,718
e27	+ (-)DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE	222,521	-388,845
e28	+ (-)DECREASE (INCREASE) IN INVENTORIES	12,874	5,051
e29	+ (-)DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE	98,650	-202,016
e30	+ (-)INCREASE (DECREASE) IN SUPPLIERS	-272,119	578,015
e31	+ (-)INCREASE (DECREASE) IN OTHER LIABILITIES	-102,420	-103,885
e32	+ (-) INCOME TAXES PAID OR RETURNED	-69,314	-19,038
<b>e08</b>	<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	-2,613,957	-3,464,411
e33	-PERMANENT INVESTMENT IN SHARES	-2,405	-28,041
e34	+DISPOSITION OF PERMANENT INVESTMENT IN SHARES	0	0
e35	-INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	-2,532,772	-3,361,921
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	0	0
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	-78,780	-74,449
<b>e10</b>	<b>NET CASH FROM FINANCING ACTIVITIES</b>	-763,556	193,625
e45	+BANK FINANCING	820,092	688,634
e46	+STOCK MARKET FINANCING	0	2,369,851
e47	+OTHER FINANCING	0	0
e48	(-)BANK FINANCING AMORTIZATION	-341,276	-1,757,087
e49	(-)STOCK MARKET FINANCING AMORTIZATION	0	0
e50	(-)OTHER FINANCING AMORTIZATION	-217,912	-213,116
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	-969,724	-876,444
e56	-REPURCHASE OF SHARES	0	0
e57	+ (-)OTHER ITEMS	-54,736	-18,213

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

# MEXICAN STOCK EXCHANGE

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## DATA PER SHARE

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REF D	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
		AMOUNT	AMOUNT
d01	BASIC PROFIT PER ORDINARY SHARE (**)	\$ -0.23	\$ -0.04
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 (**)	\$ -0.23	\$ -0.04
d05	DISCONTINUED OPERATIONS EFFECT ON EARNING (LOSS) PER SHARE (**)	\$ 0	\$ 0.00
d08	CARRYING VALUE PER SHARE	\$ 0.65	\$ 0.87
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	0.98 times	1.17 times
d12	MARKET PRICE TO BASIC PROFIT PER ORDINARY SHARE (**)	2.76 times	25.39 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.

# MEXICAN STOCK EXCHANGE

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

QUARTER: **04**      YEAR: **2011**

## RATIOS

**CONSOLIDATED**

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REF P	CONCEPTS	CURRENT YEAR	PREVIOUS YEAR
	<b>YIELD</b>		
p01	NET CONSOLIDATED INCOME TO NET SALES	-18.86 %	-2.88 %
p02	NET CONSOLIDATED INCOME TO STOCKHOLDERS EQUITY (**)	-35.59 %	-4.02 %
p03	NET INCOME TO TOTAL ASSETS (**)	-9.17 %	-1.36 %
p04	CASH DIVIDENDS TO PREVIOUS YEAR NET INCOME	0 %	0.00 %
p05	RESULT FROM MONETARY POSITION TO NET CONSOLIDATED INCOME	-0.00 %	-0.00 %
	<b>ACTIVITY</b>		
p06	NET SALES TO NET ASSETS (**)	0.49 times	0.47 times
p07	NET SALES TO PROPERTY, PLANT AND EQUIPMENT (NET) (**)	0.70 times	0.68 times
p08	INVENTORIES TURNOVER (**)	18.33 times	17.84 times
p09	ACCOUNTS RECEIVABLE IN DAYS OF SALES	58 days	65 days
p10	PAID INTEREST TO TOTAL LIABILITIES WITH COST (**)	8.01 %	9.14 %
	<b>LEVERAGE</b>		
p11	TOTAL LIABILITIES TO TOTAL ASSETS	74.23 %	66.12 %
p12	TOTAL LIABILITIES TO STOCKHOLDERS EQUITY	2.88 times	1.95 times
p13	FOREIGN CURRENCY LIABILITIES TO TOTAL LIABILITIES	80.06 %	79.48 %
p14	LONG-TERM LIABILITIES TO PROPERTY, PLANT AND EQUIPMENT (NET)	77.94 %	61.97 %
p15	INCOME (LOSS) AFTER GENERAL EXPENSES TO INTEREST PAID	0.44 times	0.25 times
p16	NET SALES TO TOTAL LIABILITIES (**)	0.65 times	0.71 times
	<b>LIQUIDITY</b>		
p17	CURRENT ASSETS TO CURRENT LIABILITIES	1.08 times	0.94 times
p18	CURRENT ASSETS LESS INVENTORY TO CURRENT LIABILITIES	1.04 times	0.90 times
p19	CURRENT ASSETS TO TOTAL LIABILITIES	0.26 times	0.30 times
p20	CASH AND SHORT-TERM INVESTMENTS TO CURRENT LIABILITIES	35.36 %	27.62 %

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

# MEXICAN STOCK EXCHANGE

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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, FEBRUARY 23, 2012 - AXTEL, S.A.B. DE C.V. ("AXTEL" OR "THE COMPANY"), A LEADING MEXICAN FIXED-LINE INTEGRATED TELECOMMUNICATIONS COMPANY, ANNOUNCED TODAY ITS UNAUDITED FOURTH QUARTER RESULTS ENDED DECEMBER 31, 2011 (1)

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

### HIGHLIGHTS:

THE COMPANY'S EBITDA INCREASED 13% IN THE FOURTH QUARTER COMPARED TO THE SAME QUARTER IN 2010. THIS IMPROVEMENT OCCURRED DESPITE THE PHASING-OUT OF A LARGE WHOLESALE CUSTOMER CONTRACT. EXCLUDING THIS CUSTOMER, EBITDA WOULD HAVE INCREASED 23% YEAR-OVER-YEAR.

TOTAL REVENUES INCREASED 2% DURING THE QUARTER, AND 5% IF THE WHOLESALE CUSTOMER CONTRACT IS EXCLUDED, SUPPORTED MAINLY BY THE COMBINED GROWTH OF THE MASS-MARKET AND ENTERPRISE CORE BUSINESSES.

BROADBAND SUBSCRIBERS INCREASED 29 THOUSAND IN THE FOURTH QUARTER, TOTALING 122 THOUSAND IN 2011, AN INCREASE OF 39% FOR THE YEAR. THE NUMBER OF AXTEL X-TREMO OR FTTH SUBSCRIBERS INCREASED 15 THOUSAND DURING THE QUARTER, AND NOW REPRESENTS 11% OF THE 436 THOUSAND TOTAL BROADBAND SUBSCRIBER BASE.

DURING THE FOURTH QUARTER, REVENUES FROM INTEGRATED IT AND TELCO SOLUTIONS CONTINUED TO GROW, NOW REPRESENTING 27% OF THE ENTERPRISE SEGMENT'S REVENUES, OR 12% OF AXTEL'S TOTAL REVENUES.

### REVENUES FROM OPERATIONS

REVENUES FROM OPERATIONS TOTALED PS. 2,768 MILLION IN THE FOURTH QUARTER OF YEAR 2011 FROM PS. 2,723 MILLION FOR THE SAME PERIOD IN 2010, AN INCREASE OF PS. 45 MILLION.

REVENUES FROM OPERATIONS TOTALED PS. 10,829 MILLION IN THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2011, COMPARED TO PS. 10,652 MILLION IN THE SAME PERIOD IN 2010, AN INCREASE OF PS. 177 MILLION, OR 2%.

### 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. 930 MILLION IN THE FOURTH QUARTER OF 2011, COMPARED TO PS. 982 MILLION FOR SAME PERIOD IN 2010, REPRESENTING A DECREASE OF PS. 52 MILLION OR 5%, EXPLAINED BY PS. 18 AND PS. 48 MILLION DECREASES IN MEASURED SERVICES AND CELLULAR REVENUES, RESPECTIVELY, COMPENSATED BY A PS. 14 MILLION INCREASE IN MONTHLY RENTS, WHICH INCLUDE FREE LOCAL CALLS AND FIXED-TO-MOBILE (CELLULAR) MINUTES MODULES. THE 22% DECLINE IN CELLULAR REVENUE IS EXPLAINED BY A 16% DECREASE IN BILLED-TRAFFIC VOLUME AND A 7% DECREASE IN BILLED-TRAFFIC PRICES IN THE FOURTH QUARTER 2011 COMPARED TO THE SAME PERIOD IN 2010. REVENUES COMING FROM MONTHLY RENTS REPRESENTED 74% OF LOCAL REVENUES DURING THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2011. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011, LOCAL REVENUES TOTALED PS. 3,795 MILLION, COMPARED TO PS. 3,886 MILLION REGISTERED IN THE SAME PERIOD IN 2010, A DECREASE OF PS. 91 MILLION OR 2%.

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LONG DISTANCE SERVICES. REVENUES TOTALED PS. 285 MILLION IN THE FOURTH QUARTER OF 2011, COMPARED TO PS. 294 MILLION FOR SAME PERIOD IN 2010, REPRESENTING A DECREASE OF PS. 9 MILLION, EXPLAINED BY A 3% DECREASE IN BILLED-TRAFFIC PRICES AND A 1% DECLINE IN BILLED-TRAFFIC VOLUME. FOR THE FULL-YEAR 2011, LONG DISTANCE REVENUES TOTALED PS. 1,152 MILLION COMPARED TO PS. 1,132 MILLION REGISTERED IN 2010, A PS. 19 MILLION, OR 2%, INCREASE.

DATA & NETWORK. DATA AND NETWORK REVENUES AMOUNTED TO PS. 666 MILLION IN THE FOURTH QUARTER OF 2011, COMPARED TO PS. 665 MILLION IN THE SAME PERIOD IN 2010, A PS. 1 MILLION INCREASE DRIVEN BY MASS-MARKET, OR, "ON-DEMAND" INTERNET SERVICES REVENUES THAT INCREASED 50% YEAR-OVER-YEAR WHILE THE COMBINATION OF DEDICATED INTERNET AND PRIVATE LINES REVENUES DECLINED 9%. MASS-MARKET, OR, "ON-DEMAND" INTERNET SERVICES REPRESENTED 24% OF DATA & NETWORK REVENUES DURING THE QUARTER. DURING 2011, DATA AND NETWORK SERVICES REVENUES TOTALED PS. 2,585 MILLION FROM PS. 2,497 MILLION REGISTERED IN 2010, AN INCREASE OF PS. 89 MILLION, OR 4%.

INTERNATIONAL TRAFFIC. IN THE FOURTH QUARTER OF 2011, INTERNATIONAL TRAFFIC REVENUES TOTALED PS. 335 MILLION, A INCREASE OF PS. 38 MILLION OR 13% VERSUS SAME QUARTER OF PREVIOUS YEAR, EXPLAINED BY A HIGHER PROPORTION OF LONG-DISTANCE FIXED-TO-MOBILE TRAFFIC AND A 9% APPRECIATION OF THE US DOLLAR AGAINST THE MEXICAN PESO OFFSETTING DECLINES IN DOLLAR PRICES AND A 1% IN VOLUME. IN JUNE 2011 THE COMPANY SIGNED AN AGREEMENT WITH MOBILE CARRIERS ALLOWING THE DIRECT TERMINATION OF INTERNATIONAL "CALLING-PARTY-PAYS" TRAFFIC AT COMPETITIVE INTERCONNECTION RATES. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011, REVENUES FROM INTERNATIONAL TRAFFIC TOTALED PS. 1,246 MILLION FROM PS. 1,175 MILLION, AN INCREASE OF 6% COMPARED TO THE SAME PERIOD IN 2010, EXPLAINED BY BETTER TRAFFIC MIX INCLUDING A HIGHER PROPORTION OF LONG-DISTANCE FIXED-TO-MOBILE TRAFFIC.

OTHER SERVICES. QUARTERLY REVENUES FROM OTHER SERVICES TOTALED PS. 484 MILLION IN THE FOURTH QUARTER OF 2011, FROM PS. 325 MILLION IN THE SAME QUARTER OF PREVIOUS YEAR, AN INCREASE OF PS. 159 MILLION OR 49%, MOSTLY EXPLAINED BY REVENUES FROM INTEGRATED SERVICES PROVIDED TO FEDERAL GOVERNMENT ENTITIES AND PRIVATE HEALTH CARE INSTITUTIONS. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011, REVENUES TOTALED PS. 1,585 MILLION FROM PS. 1,323 MILLION REGISTERED IN 2010, AN INCREASE OF PS. 262 MILLION, OR 20%.

### CONSUMPTION

LOCAL CALLS. LOCAL CALLS EXCLUDING OUR LARGEST WHOLESALE CUSTOMER TOTALED 445 MILLION CALLS IN THE FOURTH QUARTER OF 2011, COMPARED TO 497 MILLION CALLS FOR SAME PERIOD IN 2010, REPRESENTING A DECREASE OF PS. 52 MILLION CALLS, OR 11%. BILLED LOCAL CALLS DECREASED 23 MILLION OR 19%, WHILE LOCAL CALLS INCLUDED IN COMMERCIAL OFFERS ALSO DECLINED 30 MILLION CALLS OR 8%. BUSINESS AND RESIDENTIAL CUSTOMERS CONTRIBUTED WITH 18 AND 4 MILLION CALLS TO THE BILLED LOCAL CALLS DECLINE, RESPECTIVELY. LOCAL CALLS INCLUDED IN COMMERCIAL OFFERS REPRESENTED 78% OF TOTAL CALLS IN THE FOURTH QUARTER OF 2011. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011, LOCAL CALLS TOTALED 1,843 MILLION EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, COMPARED TO 1,859 MILLION REGISTERED IN THE SAME PERIOD IN 2010, A DECLINE OF 16 MILLION CALLS, OR 1%.

CELLULAR ("CALLING PARTY PAYS"). MINUTES OF USE OF CALLS COMPLETED TO A CELLULAR LINE EXCLUDING OUR LARGEST WHOLESALE CUSTOMER AMOUNTED TO 157 MILLION IN THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2011, COMPARED TO 172 MILLION IN THE SAME PERIOD IN 2010, A DECREASE OF 9% EQUIVALENT TO 15 MILLION MINUTES. BILLED CELLULAR MINUTES DECREASED 22 MILLION OR 16%, WHILE MINUTES IN MODULES INCLUDED IN A MONTHLY RENT INCREASED 7 MILLION MINUTES OR 21%. BILLED CELLULAR MINUTES REPRESENTED 74% OF CELLULAR MINUTES IN THE FOURTH QUARTER OF 2011. FOR THE YEAR 2011 AND EXCLUDING OUR LARGEST WHOLESALE CUSTOMER,



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CELLULAR MINUTES DECLINED 29 MILLION, OR 4%, FROM 648 MILLION REGISTERED IN THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2010, TO 619 MILLION IN 2011.

LONG DISTANCE. EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, WHICH REPRESENTS 15% OF TOTAL VOLUME, OUTGOING LONG DISTANCE MINUTES AMOUNTED TO 480 MILLION FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2011, FROM 472 MILLION IN THE SAME PERIOD IN 2010, A 2% OR 8 MILLION MINUTE INCREASE, RESULTING FROM 1% AND 5% INCREASES IN TRAFFIC FROM BUSINESS AND RESIDENTIAL CUSTOMERS, RESPECTIVELY. BILLED LONG DISTANCE MINUTES DURING THE FOURTH QUARTER OF 2011 REMAINED AT SIMILAR LEVEL 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 DECEMBER 31, 2011 AND EXCLUDING OUR LARGEST WHOLESALE CUSTOMER, OUTGOING LONG DISTANCE MINUTES AMOUNTED 1,905 MILLION, COMPARED TO 1,809 MILLION REGISTERED IN 2010, AN INCREASE OF 96 MILLION OF MINUTES, OR 5%, 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 DECEMBER 31, 2011, RGUS (REVENUE GENERATING UNITS) TOTALED 1,476 THOUSAND, AN INCREASE OF 9% OR 117 THOUSAND FROM THE SAME DATE IN 2010. DURING THE FOURTH QUARTER OF 2011, NET ADDITIONAL RGUS TOTALED 29 THOUSAND, COMPARED TO 66 THOUSAND IN THE FOURTH QUARTER OF 2010, ATTRIBUTABLE TO LOWER CONTRIBUTIONS FROM BOTH VOICE AND BROADBAND RGUS. AS OF DECEMBER 31, 2011, TOTAL CUSTOMERS TOTALED 757 THOUSAND, A DECLINE OF 1% OR 6 THOUSAND FROM THE SAME DATE IN 2010. TOTAL CUSTOMERS REMAINED UNCHANGED ON A SEQUENTIAL BASIS.

VOICE RGUS (LINES IN SERVICE). AS OF DECEMBER 31, 2011, LINES IN SERVICE TOTALED 1,039 THOUSAND, A 4 THOUSAND REDUCTION FROM THE SAME DATE IN 2010. DURING THE FOURTH QUARTER OF 2011, GROSS ADDITIONAL LINES TOTALED 72 THOUSAND COMPARED TO 83 THOUSAND IN THE FOURTH QUARTER OF 2010. DISCONNECTIONS IN THE FOURTH QUARTER OF 2011 TOTALED 72 THOUSAND COMPARED TO 64 THOUSAND IN THE YEAR-EARLIER QUARTER. VOICE-ONLY CUSTOMERS IN LOW-ARPU OFFERS REPRESENTED THE MAJORITY OF DISCONNECTIONS DURING THE QUARTER. LINES-IN-SERVICE IN THE FOURTH QUARTER OF 2011 REMAINED UNCHANGED, COMPARED TO 18 THOUSAND NET-ADDS IN THE SAME PERIOD OF 2010. AS OF DECEMBER 31, 2011, RESIDENTIAL LINES REPRESENTED 68% OF TOTAL LINES IN SERVICE.

BROADBAND RGUS (BROADBAND SUBSCRIBERS). BROADBAND SUBSCRIBERS INCREASED 39% YEAR-OVER-YEAR TOTALING 436 THOUSAND SUBS AS OF DECEMBER 31, 2011. DURING THE FOURTH QUARTER OF 2011, BROADBAND SUBSCRIBERS INCREASED 29 THOUSAND COMPARED TO 48 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 FOURTH QUARTER. BROADBAND PENETRATION REACHED 42% AT THE END OF THE FOURTH QUARTER OF 2011, COMPARED TO 30% A YEAR AGO. AS OF THE END OF DECEMBER 2011, WIMAX BROADBAND SUBS REACHED 368 THOUSAND, COMPARED TO 280 THOUSAND A YEAR AGO, WHILE AXTEL X-TREMO, OR FTTH, CUSTOMERS TOTALED 48 THOUSAND.

INTERNET SUBSCRIBERS. AS OF DECEMBER 31, 2011, INTERNET SUBSCRIBERS TOTALED 444 THOUSAND, INCLUDING 8 THOUSAND DIAL-UP SUBSCRIBERS. AS OF DECEMBER 31, 2010, INTERNET SUBSCRIBERS REPRESENTED 327 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 DECEMBER 31, 2011, LINE EQUIVALENTS TOTALED 484 THOUSAND.

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### COST OF REVENUES AND OPERATING EXPENSES

COST OF REVENUES. FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2011, THE COST OF REVENUES REPRESENTED PS. 678 MILLION, A DECREASE OF PS. 94 MILLION, COMPARED WITH THE SAME PERIOD OF YEAR 2010, MAINLY EXPLAINED BY A (I) LOWER FIXED-TO MOBILE COSTS DUE TO A DECREASE OF 43% IN TRAFFIC VOLUME—TRAFFIC FROM THE PHASING-OUT WHOLESALE CUSTOMER EXPLAINS 90% OF THE DECLINE IN VOLUME—, (II) DECREASE IN LONG-DISTANCE TERMINATION RATES AND (III) A 17% LOWER INTERNATIONAL TRAFFIC COSTS RESULTING FROM LOWER TERMINATION RATES. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011, COST OF REVENUES REACHED PS. 2,799 MILLION, A DECREASE OF PS. 156 MILLION IN COMPARISON WITH YEAR 2010, MAINLY DUE TO DECREASES IN COSTS OF FIXED-TO MOBILE TRAFFIC, INTERNATIONAL TRAFFIC AND DOMESTIC LONG DISTANCE CALLS.

GROSS PROFIT. GROSS PROFIT IS DEFINED AS REVENUES MINUS COST OF REVENUES. FOR THE FOURTH QUARTER OF 2011, THE GROSS PROFIT ACCOUNTED FOR PS. 2,091 MILLION, AN INCREASE OF PS. 139 MILLION COMPARED WITH THE SAME PERIOD IN YEAR 2010. THE GROSS PROFIT MARGIN INCREASED FROM 71.6% TO 75.5% YEAR-OVER-YEAR, INFLUENCED BY: (I) THE REDUCTION IN LONG-DISTANCE TERMINATION RATES WHICH AFFECTED POSITIVELY LONG-DISTANCE AND INTERNATIONAL TRAFFIC SEGMENTS, AND (II) BETTER MARGINS FROM ENTERPRISE CUSTOMERS' REVENUES INFLUENCED BY A LARGER CONTRIBUTION OF INTEGRATED SERVICES. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011, OUR GROSS PROFIT TOTALED PS. 8,030 MILLION, COMPARED TO PS. 7,696 MILLION RECORDED IN YEAR 2010, AN INCREASE OF PS. 334 MILLION.

OPERATING EXPENSES. IN THE FOURTH QUARTER OF YEAR 2011, OPERATING EXPENSES TOTALED PS. 1,190 MILLION, 33 MILLION HIGHER THAN THE PS. 1,157 MILLION RECORDED IN THE SAME PERIOD IN YEAR 2010, EXPLAINED BY (I) AN INCREASE IN MAINTENANCE EXPENSES RELATED TO A LARGER NUMBER OF SITES, (II) INCREASES IN SALES COMMISSIONS ASSOCIATED TO "AXTEL X-TREMO" SUBSCRIBERS, AND (III) THE PESO DEVALUATION WHICH AFFECTED CERTAIN DOLLAR DENOMINATED MAINTENANCE EXPENSES RELATED TO NETWORK AND IT SOFTWARE LICENSING. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 30, 2011, OPERATING EXPENSES TOTALED PS. 4,456 MILLION, COMING FROM PS. 4,469 MILLION IN THE SAME PERIOD IN 2010. PERSONNEL REPRESENTED 45% OF TOTAL OPERATING EXPENSES IN THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011.

### ADJUSTED EBITDA, D&A AND OPERATING INCOME

ADJUSTED EBITDA(5). THE ADJUSTED EBITDA TOTALED PS. 901 MILLION FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2011, COMPARED TO PS. 794 MILLION FOR THE SAME PERIOD IN 2010. AS A PERCENTAGE OF TOTAL REVENUES, ADJUSTED EBITDA REPRESENTED 32.5% IN THE FOURTH QUARTER OF 2011, 336 BPS HIGHER THAN THE MARGIN RECORDED IN THE YEAR-EARLIER QUARTER. FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2011, ADJUSTED EBITDA AMOUNTED TO PS. 3,575 MILLION, COMPARED TO PS. 3,228 MILLION IN YEAR 2010.

DEPRECIATION AND AMORTIZATION(10). DEPRECIATION AND AMORTIZATION TOTALED PS. 788 MILLION IN THE THREE-MONTH PERIOD ENDING ON DECEMBER 31, 2011 COMPARED TO PS. 770 MILLION FOR THE SAME PERIOD IN YEAR 2010. DEPRECIATION AND AMORTIZATION FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2011 REACHED PS. 3,137 MILLION, FROM PS. 2,993 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 DECEMBER 31, 2011, THE COMPANY RECORDED AN OPERATING INCOME OF PS. 112 MILLION COMPARED TO AN OPERATING INCOME OF PS. 24 MILLION REGISTERED IN THE SAME PERIOD IN YEAR 2010. FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2011 OUR OPERATING INCOME REACHED PS. 437 MILLION WHEN COMPARED TO THE RESULT REGISTERED IN THE SAME PERIOD OF YEAR 2010 OF PS. 234 MILLION, AN INCREASE OF PS. 88 MILLION.

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### CFR, INDEBTEDNESS, CASH, INVESTMENTS AND DERIVATIVE INSTRUMENTS

COMPREHENSIVE FINANCIAL RESULT. NET INTEREST EXPENSE FOR THE FOURTH QUARTER 2011 INCREASED PS. 20 MILLION VIS-À-VIS FOURTH QUARTER 2010 DUE TO A LARGER DEBT BALANCE. DURING THE FOURTH QUARTER 2011, A 4% PESO DEPRECIATION AGAINST THE U.S. DOLLAR GENERATED A PS. 435 MILLION FX LOSS, COMPARED TO AN FX GAIN OF PS. 103 MILLION RECORDED IN THE FOURTH QUARTER OF 2010. CONCERNING VARIATIONS IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS, THESE ARE PARTIALLY EXPLAINED BY 12% AND 5% DECLINES IN THE PRICE OF AXTELCPO DURING THE FOURTH 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. 2,239 MILLION COMPREHENSIVE FINANCIAL LOSS FOR YEAR ENDED IN DECEMBER 2011, COMPARED TO A PS. 594 MILLION COMPREHENSIVE FINANCIAL LOSS FOR YEAR ENDED IN DECEMBER 2010, IS MAINLY EXPLAINED BY A 12% DEPRECIATION OF THE MEXICAN PESO AGAINST THE U.S. DOLLAR IN THE 2011 PERIOD, COMPARED TO A 6% APPRECIATION IN THE 2010 PERIOD.

DEBT. AT THE END OF THE FOURTH QUARTER OF 2011, TOTAL DEBT INCREASED PS. 2,047 MILLION IN COMPARISON WITH THE SAME DATE IN 2010, EXPLAINED BY (I) A PS. 559 MILLION NET INCREASE IN BANK DEBT RELATED TO THE SYNDICATED BANK FACILITY OBTAINED IN NOVEMBER 2011, (II) AN INCREASE OF PS. 326 MILLION IN THE RENEWAL OF THE CAPACITY LEASE TRANSACTION WITH THE INCUMBENT OPERATOR, (III) A PS. 138 MILLION REDUCTION IN OTHER LEASES AND FINANCIAL OBLIGATIONS AND (IV) A PS. 1,300 MILLION NON-CASH INCREASE CAUSED BY THE 12% DEPRECIATION OF THE MEXICAN PESO.

CASH. AS OF THE END OF THE FOURTH QUARTER OF 2011, OUR CASH AND EQUIVALENTS BALANCE TOTALED PS. 1,425 MILLION (EQUIVALENT TO \$102 MILLION), COMPARED TO PS. 1,308 MILLION A YEAR AGO. SIXTY-TWO PERCENT OF THE CASH BALANCE IS MAINTAINED IN DOLLARS, THE REST IN PESOS.

CAPITAL INVESTMENTS. IN THE FOURTH QUARTER OF 2011, CAPITAL INVESTMENTS TOTALED PS. 789 MILLION, OR \$58 MILLION, COMPARED TO PS. 833 MILLION, OR \$67 MILLION, IN THE YEAR-EARLIER QUARTER. ACCUMULATED FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2011, CAPITAL INVESTMENTS TOTALED PS. 2,531 MILLION, OR \$202 MILLION, COMPARED TO PS. 3,361 MILLION, OR \$266 MILLION, IN YEAR 2010.

OTHER INVESTMENTS. AS OF DECEMBER 31, 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 DECEMBER 31, 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.	
DATES		FEB. 2010 - FEB. 2012	
ESTIMATED FAIR VALUE			PS. 18.6 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. 59.2 MILLION

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

NOTIONAL	US\$490 MILLION	PS. 6,364 MILLION
INTEREST	9.0% SEMI-ANNUAL	9.56% SEMI-ANNUAL (AVG.)
PRINCIPAL PAYMENTS	N.A.	N.A.
EXPIRATION DATE		SEPT. 2014
ESTIMATED FAIR VALUE		PS. 94.9 MILLION

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

NOTIONAL	US\$44 MILLION	PS. 614 MILLION
INTEREST	LIBOR + 4% QUARTERLY	5.06% QUARTERLY
PRINCIPAL PAYMENTS	N.A.	N.A.
EXPIRATION DATE		NOV. 2012
ESTIMATED FAIR VALUE		PS. (1.7) MILLION

### ZERO-STRIKE EQUITY CALL OPTION

NOTIONAL		30.4 MILLION AXTELCPO
VALUE	30.4 MILLION AXTELCPO	STRIKE PRICE:
	TIMES CPO'S MARKET PRICE	¢1 PER CPO
SETTLEMENT		IN CASH
EXPIRATION DATE		FEBRUARY 2012
VALUATION		PS. 135.5 MILLION

### FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2011 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2010

#### ASSETS

AS OF DECEMBER 31, 2010, TOTAL ASSETS SUM PS.22,532 MILLION COMPARED TO PS. 22,409MILLION AS OF DECEMBER 31,2011, A DECLINE OF PS.122 MILLION.

CASH AND EQUIVALENTS.AS OF DECEMBER 31, 2011, WE HAD CASH AND CASH EQUIVALENTS OF PS.1,425 MILLION COMPARED TO PS.1,308MILLION IN THE SAME DATE OF YEAR 2010, AN INCREASE OF PS.117 MILLION OR 9%.

ACCOUNTS RECEIVABLE. AS OF DECEMBER 31, 2011, THE ACCOUNTS RECEIVABLE WERE PS. 2,018 MILLION COMPARED WITH PS.2,241MILLION IN THE SAME DATE OF 2010, A DECLINE OF PS.223 MILLION.

PROPERTY, PLANT AND EQUIPMENT, NET.AS OF DECEMBER 31, 2011, THE NET OF DEPRECIATION VALUE OF PROPERTY, PLANT AND EQUIPMENT WAS PS.15,529 MILLION COMPARED WITH PS.15,783 MILLION AS OF DECEMBER 31, 2010, ADECREASE OF PS.254MILLION. THE PROPERTY, PLANT AND EQUIPMENT WITHOUT ADJUSTING FOR THE ACCUMULATED DEPRECIATION, WAS PS. 34,768 MILLION AND PS. 32,503 MILLION AS OF DECEMBER 30, 2011 AND DECEMBER 30, 2010, RESPECTIVELY. THE INCREASE IN PROPERTY, PLANT AND EQUIPMENT IS DUE TO A HIGHER INVESTMENT DURING THIS PERIOD.

#### LIABILITIES

TOTAL LIABILITIES WERE PS.16,537 MILLION AS OF DECEMBER 31, 2011 COMPARED TO PS.14,898 MILLION AS OF DECEMBER 31, 2011, AN INCREASE OF PS.1,639 MILLION.

ACCOUNTS PAYABLE & ACCRUED EXPENSES. ON DECEMBER 31, 2011, THE ACCOUNTS PAYABLE AND ACCRUED EXPENSES WERE PS.2,396 MILLION COMPARED WITH PS. 2,668 MILLION ON DECEMBER 31, 2010, A DECREASE OF PS.272 MILLION OR 10%.

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### STOCKHOLDERS EQUITY

ON DECEMBER 31, 2011, THE STOCKHOLDERS EQUITY OF THE COMPANY WAS PS.5,872 MILLION COMPARED WITH PS.7,663 MILLION AS OF DECEMBER 31, 2010, A DECREASE OF PS.1,761 MILLION, OR 23%. THE CAPITAL STOCK REMAINED UNCHANGED AT PS.7,562 MILLION AS OF DECEMBER 31, 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 DECEMBER 31, 2011 COMPARED WITH THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2010

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS.848 MILLION FOR THE THREE-MONTH PERIOD ENDED ON DECEMBER 31, 2011 COMPARED TO PS.892 MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010.

NET RESOURCES USED IN INVESTING ACTIVITIES WERE PS. (862) MILLION FOR THE THREE-MONTH PERIOD ENDED ON DECEMBER 31, 2011 COMPARED TO PS. (838) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS. (789) MILLION AND PS. (833) MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS. 360 MILLION AND PS. 174 MILLION FOR THE THREE-MONTH PERIODS ENDED ON DECEMBER 31, 2011 AND 2010, RESPECTIVELY.

AS OF DECEMBER 30, 2011, THE RATIOS OF NET DEBT TO ADJUSTED EBITDA AND INTEREST COVERAGE OF THE COMPANY WERE 3.1X AND 3.6X, RESPECTIVELY. AS DECEMBER 31, 2010 THE RATIO OF NET DEBT TO ADJUSTED EBITDA AND INTEREST COVERAGE, WAS 2.9X AND 3.4X, RESPECTIVELY.

SINCE THE BEGINNING OF OPERATIONS OF THE COMPANY, AXTEL HAS INVESTED APPROXIMATELY PS.32 BILLION 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.

### CASHFLOW STATEMENT

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 COMPARED WITH TWELVE MONTHS ENDED DECEMBER 31, 2010

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS.2,313 MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON DECEMBER 31, 2011 COMPARED TO PS.3,614 MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010.

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NET RESOURCES USED IN INVESTING ACTIVITIES WERE PS. (2,614) MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON DECEMBER 31, 2011 COMPARED TO PS. (3,464) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2010. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS.(2,614) MILLION AND PS.(3,464) MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS.(764)MILLION AND PS.194 MILLION FOR THE TWELVE-MONTH PERIOD ENDED ON DECEMBER 31, 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.

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

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OF OUTSTANDING SERIES A AND SERIES B SHARES WAS 96,636,627 AND 8,672,716,596, RESPECTIVELY, AS OF DECEMBER 31, 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:

MILLION PESOS	Q4 2011	Q4 2010	Q3 2011	LTM	LTM
				DIC-11	DIC-10
LOCAL	953	1,132	1,024	4,160	4,482
LONG DISTANCE	323	299	306	1,224	1,150
DATA & NETWORK	668	667	642	2,595	2,504
INTL. TRAFFIC	335	298	355	1,246	1,175
OTHER	490	328	386	1,604	1,341
	2,768	2,723	2,713	10,829	10,652

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](http://WWW.AXTEL.COM.MX)

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## (1) FINANCIAL STATEMENT AUTHORIZATION AND PRESENTATION

ACCORDING TO MEXICAN GENERAL CORPORATION LAW AND BYLAWS OF THE COMPANY, THE STOCKHOLDERS ARE EMPOWERED TO MODIFY THE FINANCIAL STATEMENTS AFTER THEIR ISSUANCE. THE ACCOMPANYING FINANCIAL STATEMENTS WILL BE SUBMITTED TO THE NEXT STOCKHOLDERS' MEETING FOR APPROVAL.

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH MEXICAN FINANCIAL REPORTING STANDARDS (FRS) IN EFFECT AS OF THE BALANCE SHEET DATE.

## (2) DESCRIPTION OF BUSINESS AND SIGNIFICANT TRANSACTIONS

### DESCRIPTION OF BUSINESS

AXTEL, S.A.B. DE C.V. AND SUBSIDIARIES (THE COMPANY OR AXTEL) IS A MEXICAN CORPORATION ENGAGED IN OPERATING AND/OR EXPLOITING A PUBLIC TELECOMMUNICATION NETWORK TO PROVIDE VOICE, SOUND, DATA, TEXT, AND IMAGE CONDUCTING SERVICES, AND LOCAL, DOMESTIC AND INTERNATIONAL LONG-DISTANCE CALLS. A CONCESSION IS REQUIRED TO PROVIDE THESE SERVICES AND CARRY OUT THE COMPANY'S ACTIVITY, (SEE NOTES 23 (F) AND (G)). IN JUNE 1996, THE COMPANY OBTAINED A CONCESSION FROM THE MEXICAN FEDERAL GOVERNMENT TO INSTALL, OPERATE AND EXPLOIT PUBLIC TELECOMMUNICATION NETWORKS FOR AN INITIAL PERIOD OF THIRTY YEARS.

### SIGNIFICANT TRANSACTIONS

- ON NOVEMBER 17, 2011, THE COMPANY CLOSED A SYNDICATED LOAN WITH BANCO NACIONAL DE MEXICO, SA, A MEMBER OF GRUPO FINANCIERO BANAMEX; BANCO MERCANTIL DEL NORTE SA, INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO BANORTE; CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH; ING BANK NV, DUBLIN BRANCH AND STANDARD BANK PLC. THE TOTAL AMOUNT OF THE LINE IS US\$ 100 MILLION WITH A FOUR YEAR TENOR, TWO YEAR GRACE PERIOD OF PRINCIPAL AND MADE UP OF A FUNDED AMOUNT AND A COMMITTED SHORT TERM REVOLVING FACILITY. THE LOAN IS SECURED BY THE ACCOUNTS RECEIVABLE OF CERTAIN CORPORATE CUSTOMERS OF THE COMPANY. AS OF DECEMBER 31, 2011 US\$ 44.5 MILLION AND MX\$ 216.9 MILLION HAVE BEEN FUNDED, WHILE THE REVOLVING FACILITY HAS NOT BEEN DISBURSED. THE OPERATION CONTEMPLATES A RATE RANGE, GOING FROM LIBOR+3.0% TO LIBOR+4.5% IN DOLLARS AND A TIE+3.0% TO TIE+4.5% IN PESOS, ACCORDING TO THE LEVERAGE OF THE COMPANY. INTEREST PAYMENTS ARE ON A QUARTERLY BASIS AND THE PURPOSE OF THE LOAN IS TO STRENGTHEN LIQUIDITY, CAPITAL INVESTMENTS, DEBT REPAYMENT AND OTHER CORPORATE GENERAL PURPOSES.

- ON MARCH 22, 2010, THE COMPANY COMPLETED AN ISSUANCE OF SENIOR UNSECURED NOTES, FOR U.S. \$190 MILLION WITH DUE DATE ON SEPTEMBER 22, 2019 AND WITH AN ANNUAL INTEREST RATE OF 9.0% WHICH WILL BE PAID SEMIANNUALLY STARTING SEPTEMBER 22, 2010. THE PROCEEDS OF THIS ISSUANCE WERE USED MAINLY TO PREPAY THE REMAINING BALANCE OF THE USD AND PS. PORTIONS OF THE SYNDICATED LOAN THAT AMOUNTED TO U.S. \$ 22.7 MILLION AND PS. 938.1 MILLION, RESPECTIVELY. THE REMAINING PROCEEDS WERE USED TO PAY OTHER SHORT-TERM DEBT AND FOR GENERAL CORPORATE PURPOSES.

- IN ORDER TO IMPLEMENT THE STRATEGIC PLANS, THE COMPANY IS RESTRUCTURING SOME OF THE OPERATIONS IN SOME OF THE OPERATIONAL AREAS. THE COST OF RESTRUCTURING, WHICH CONSISTS OF COMPENSATION AND EMPLOYEE SEVERANCE PAYMENTS AMOUNTED TO PS. 63,500 AND PS. 163,215 AND IS INCLUDED IN THE STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, RESPECTIVELY, AS PART OF THE OTHER EXPENSES.

## (3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS IN CONFORMITY WITH FINANCIAL REPORTING STANDARDS REQUIRES MANAGEMENT OF THE COMPANY TO MAKE A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT AFFECT THE REPORTED AMOUNTS OF ASSETS AND LIABILITIES, THE DISCLOSURE OF CONTINGENT ASSETS AND LIABILITIES AT THE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS, AND THE REPORTED AMOUNTS OF REVENUES AND EXPENSES DURING THE REPORTING PERIOD. SIGNIFICANT ITEMS SUBJECT TO SUCH ESTIMATES AND ASSUMPTIONS INCLUDE THE CARRYING AMOUNT OF PROPERTY, SYSTEMS AND EQUIPMENT, VALUATION ALLOWANCES FOR RECEIVABLES, INVENTORIES AND DEFERRED INCOME TAX ASSETS; VALUATION OF DERIVATIVE INSTRUMENTS; AND ASSETS AND OBLIGATIONS RELATED TO EMPLOYEE BENEFITS. DUE TO CURRENT ECONOMIC ENVIRONMENT, ACTUAL RESULTS COULD DIFFER FROM THOSE ESTIMATES AND ASSUMPTIONS.

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.

THE ACCOUNTING POLICIES AND PRACTICES FOLLOWED BY THE COMPANY IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS ARE DESCRIBED BELOW:

## (A) RECOGNITION OF THE EFFECTS OF INFLATION

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN PREPARED IN ACCORDANCE WITH FINANCIAL REPORTING STANDARDS (FRS) IN EFFECT AS OF THE BALANCE SHEET DATE AND INCLUDE THE RECOGNITION OF THE EFFECTS OF INFLATION ON THE FINANCIAL INFORMATION THROUGH DECEMBER 31, 2007, BASED UPON THE MEXICAN NATIONAL CONSUMER PRICE INDEX (NCPI) PUBLISHED BY BANCO DE MÉXICO.

## (B) PRINCIPLES OF CONSOLIDATION

THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THE FINANCIAL STATEMENTS OF AXTEL AND ITS SUBSIDIARIES. ALL SIGNIFICANT BALANCES AND INTERCOMPANY TRANSACTIONS HAVE BEEN ELIMINATED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS. THE CONSOLIDATION WAS MADE BASED ON AUDITED FINANCIAL STATEMENTS OF EACH OF THE SUBSIDIARIES AS OF DECEMBER 31, 2011 AND 2010, WHICH WERE PREPARED IN ACCORDANCE WITH THE FRS.

## (C) CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS OF PS. 628,062, PS. 1,184,280 AND PS. 1,335,670 AT DECEMBER 31, 2010 AND 2009 AND JANUARY 1, 2010, RESPECTIVELY, CONSIST OF OVERNIGHT REPURCHASE AGREEMENTS AND CERTIFICATES OF DEPOSIT WITH AN INITIAL TERM OF LESS THAN THREE MONTHS. CASH EQUIVALENTS ARE CARRIED AT THE LOWER OF ACQUISITION COST PLUS ACCRUED INTEREST AS OF THE MOST RECENT BALANCE SHEET DATE AND NET ESTIMATED REALIZABLE VALUE. INTEREST AND FOREIGN CURRENCY EXCHANGE FLUCTUATION ARE INCLUDED IN THE STATEMENTS OF OPERATIONS AS PART OF THE COMPREHENSIVE FINANCING RESULT.

AS OF DECEMBER 31, 2011 AND 2010, THE COMPANY ACCOUNTS A RESTRICTED CASH AMOUNT OF PS. 52,127 AND PS. 58,121, RESPECTIVELY, DERIVED FROM VARIOUS FINANCIAL INSTRUMENT CONTRACTS AND THE SYNDICATED LOAN

## (D) TRADE ACCOUNTS RECEIVABLE

TRADE ACCOUNTS RECEIVABLE INCLUDES THE AMOUNT BILLED TO CUSTOMERS AND A PROVISION FOR SERVICES RENDERED AT THE BALANCE SHEET DATE BUT NOT BILLED. AMOUNTS BILLED ARE RECORDED AT THE INVOICED AMOUNT AND DO NOT BEAR INTEREST. THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IS THE COMPANY'S BEST ESTIMATE OF THE AMOUNT OF PROBABLE CREDIT LOSSES IN THE

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COMPANY'S EXISTING ACCOUNTS RECEIVABLE. THE COMPANY REVIEWS ITS ALLOWANCE FOR DOUBTFUL ACCOUNTS ON A MONTHLY BASIS. ACCOUNT BALANCES ARE CHARGED TO THE ALLOWANCE AFTER ALL MEANS OF COLLECTION HAVE BEEN EXHAUSTED AND THE POTENTIAL RECOVERY IS CONSIDERED REMOTE. ADDITIONALLY, THE REALIZABLE VALUE OF LONG-TERM RECEIVABLES IS DETERMINED CONSIDERING THEIR PRESENT VALUE.

## (E) INVESTMENT IN SHARES OF ASSOCIATED COMPANY AND OTHER PERMANENT INVESTMENTS

PERMANENT INVESTMENT IN THE ASSOCIATED COMPANY IN WHICH THE COMPANY HOLDS 50% OF ITS CAPITAL STOCK, ARE ACCOUNTED FOR BY THE EQUITY METHOD BASED ON THE AUDITED FINANCIAL STATEMENTS OF THE INVESTEE AS OF DECEMBER 31, 2011, 2010 AND JANUARY 1, 2010.

OTHER PERMANENT INVESTMENTS IN WHICH THE COMPANY HOLDS BETWEEN 10% AND 23% OF THE INVESTEE'S CAPITAL STOCK ARE RECORDED AT COST.

## (F) INVENTORIES AND COST OF SALES

INVENTORIES ARE CARRIED AT THE LOWER OF HISTORICAL COST AND NET REALIZABLE VALUE. COST OF REVENUES INCLUDE EXPENSES RELATED TO THE TERMINATION OF CUSTOMERS' CELLULAR AND LONG-DISTANCE CALLS IN OTHER CARRIERS' NETWORKS, AS WELL AS EXPENSES RELATED TO BILLING, PAYMENT PROCESSING, OPERATOR SERVICES AND OUR LEASING OF PRIVATE CIRCUIT LINKS.

## (G) PROPERTY, SYSTEMS AND EQUIPMENT

PROPERTY, SYSTEMS AND EQUIPMENT, INCLUDING CAPITAL LEASES, ARE INITIALLY RECORDED AT ACQUISITION COST AND THE PRESENT VALUE OF TOTAL PAYMENTS, RESPECTIVELY, AND THROUGH DECEMBER 31, 2007, ADJUSTED FOR INFLATION BY USING NCPI FACTORS.

STARTING JANUARY 1, 2007, ACQUISITIONS OF ASSETS IN A PERIOD OF CONSTRUCTION OR INSTALLATION INCLUDE THE CORRESPONDING COMPREHENSIVE FINANCING RESULT AS PART OF THE VALUE OF THE ASSETS.

DEPRECIATION OF PROPERTY, SYSTEMS AND EQUIPMENT IS CALCULATED USING THE STRAIGHT-LINE METHOD, BASED ON USEFUL LIVES ESTIMATED BY MANAGEMENT.

LEASEHOLD IMPROVEMENTS ARE AMORTIZED OVER THE USEFUL LIFE OF THE IMPROVEMENT OR THE RELATED CONTRACT TERM, WHICHEVER IS SHORTER.

MAINTENANCE AND MINOR REPAIRS, INCLUDING THE COST OF REPLACING MINOR ITEMS NOT CONSTITUTING SUBSTANTIAL IMPROVEMENTS ARE EXPENSED AS INCURRED AND CHARGED MAINLY TO SELLING AND ADMINISTRATIVE EXPENSES.

## (H) TELEPHONE CONCESSION RIGHTS

TELEPHONE CONCESSION RIGHTS THAT ARE INCLUDED IN INTANGIBLE ASSETS WERE RESTATED BY NCPI FACTORS THROUGH DECEMBER 31, 2007 AND AMORTIZED UNDER THE STRAIGHT-LINE METHOD OVER A PERIOD OF 20 TO 30 YEARS (THE INITIAL TERM OF THE CONCESSION RIGHTS).

## (I) OTHER AND INTANGIBLE ASSETS

OTHER ASSETS INCLUDE MAINLY COSTS RELATED TO TELMEX / TELNOR INFRASTRUCTURE COSTS, GUARANTEE DEPOSITS, PREPAID EXPENSES AND NOTES ISSUANCE COSTS.

AS A CONSEQUENCE OF THE ACQUISITION OF AVANTEL AND BASED UPON CALCULATIONS PREPARED BY

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AN INDEPENDENT EXPERT APPRAISER, THE COMPANY RECOGNIZED CERTAIN INTANGIBLE ASSETS AS FOLLOWS: TRADE NAME, CUSTOMER RELATIONSHIPS AND CONCESSION RIGHTS.

## (J) EMPLOYEE BENEFITS

TERMINATION BENEFITS FOR REASONS OTHER THAN RESTRUCTURING AND RETIREMENT TO WHICH EMPLOYEES ARE ENTITLED ARE CHARGED TO OPERATIONS FOR EACH YEAR, BASED ON ACTUARIAL COMPUTATIONS USING THE PROJECTED UNIT CREDIT METHOD. AS OF DECEMBER 31, 2011 AND FOR PURPOSES OF RECOGNIZING BENEFITS UPON RETIREMENT, THE REMAINING AVERAGE SERVICE LIFE OF EMPLOYEES ENTITLED TO PLAN BENEFITS APPROXIMATES 21 YEARS.

THE ACTUARIAL GAIN OR LOSS IS RECOGNIZED DIRECTLY IN THE RESULTS OF THE PERIOD AS IS ACCRUED, IN THE CASE OF TERMINATION BENEFITS, AND AMORTIZED BASED ON THE REMAINING SERVICE LIFE OF THE EMPLOYEES, FOR THE RETIREMENTS BENEFITS.

## (K) DERIVATIVE FINANCIAL INSTRUMENTS

THE COMPANY ACCOUNTS FOR DERIVATIVES AND HEDGING ACTIVITIES IN ACCORDANCE WITH FRS C-10, WHICH REQUIRES THAT ALL DERIVATIVE INSTRUMENTS BE RECORDED ON THE BALANCE SHEET DATE AT THEIR RESPECTIVE FAIR VALUES.

THE COMPANY USES DERIVATIVE FINANCIAL INSTRUMENTS IN ORDER TO MANAGE FINANCIAL EXPOSURES, ESPECIALLY RISKS ASSOCIATED WITH FOREIGN CURRENCY AND INTEREST RATES. IN ACCORDANCE WITH FRS C-10, THE COMPANY MAY APPLY HEDGE ACCOUNTING TO SUCH INSTRUMENTS IF IT MEETS CERTAIN REQUIREMENTS AND ASSESSES WHETHER THE DERIVATIVES THAT ARE USED IN HEDGING TRANSACTIONS ARE HIGHLY EFFECTIVE IN OFFSETTING CASH FLOWS OF HEDGED ITEMS. THE COMPANY ACCOUNTS FOR THE DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING ACTIVITIES INTO TWO MAIN CLASSIFICATIONS: (I) FAIR VALUE HEDGING AND (II) CASH FLOW HEDGING.

THE COMPANY HAS ACCOUNTED FOR CERTAIN DERIVATIVE FINANCIAL INSTRUMENTS UNDER THE CLASSIFICATION OF TRADE, THAT DID NOT MEET THE REQUIREMENTS FOR HEDGE ACCOUNTING AT FAIR VALUE IN THE BALANCE SHEET WITH CHANGES IN FAIR VALUE RECOGNIZED DIRECTLY IN THE INCOME STATEMENT, EVEN THOUGH THESE INSTRUMENTS ARE HIGHLY EFFECTIVE.

THE COMPANY USES FINANCIAL DERIVATIVE INSTRUMENTS THAT ARE DESIGNATED AS A FAIR VALUE HEDGE WHERE THE GAIN OR LOSS ON A DERIVATIVE INSTRUMENT DESIGNATED AND QUALIFYING AS A FAIR VALUE HEDGING INSTRUMENT AS WELL AS THE OFFSETTING LOSS OR GAIN ON THE HEDGED ITEM ATTRIBUTABLE TO THE HEDGED RISK SHALL BE RECOGNIZED CURRENTLY IN EARNINGS IN THE SAME ACCOUNTING PERIOD. FOR FINANCIAL DERIVATIVE INSTRUMENTS DESIGNATED AS A CASH FLOW HEDGE THE EFFECTIVE PORTION OF THE GAIN OR LOSS ON A DERIVATIVE INSTRUMENT DESIGNATED AND QUALIFYING AS A CASH FLOW HEDGING INSTRUMENT SHALL BE REPORTED AS A COMPONENT OF OTHER COMPREHENSIVE INCOME AND RECLASSIFIED INTO EARNINGS IN THE SAME PERIOD OR PERIODS DURING WHICH THE HEDGED FORECASTED TRANSACTION AFFECTS EARNINGS.

THE INEFFECTIVE PORTION OF THE CHANGE IN THE FAIR VALUE OF A DERIVATIVE INSTRUMENT THAT QUALIFIES AS A HEDGING ACTIVITY IS REPORTED IN THE INCOME STATEMENT.

THE COMPANY WILL DISCONTINUE HEDGE ACCOUNTING PROSPECTIVELY WHEN IT IS DETERMINED THAT THE DERIVATIVE IS NO LONGER EFFECTIVE IN OFFSETTING CHANGES IN THE FAIR VALUE OR CASH FLOWS OF THE HEDGED ITEM, THE DERIVATIVE EXPIRES OR IS SOLD, TERMINATED, OR EXERCISED. IN ALL SITUATIONS IN WHICH HEDGE ACCOUNTING IS DISCONTINUED, THE COMPANY CONTINUES TO CARRY THE DERIVATIVE AT ITS FAIR VALUE ON THE BALANCE SHEET AND RECOGNIZES ANY SUBSEQUENT CHANGES IN THE FAIR VALUE OF THE FINANCIAL INSTRUMENT DIRECTLY IN THE INCOME STATEMENT.

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EMBEDDED DERIVATIVES ARISE FROM CONTRACTUAL COVENANTS CONTAINED IN NON-DERIVATIVE CONTRACTS, IMPLICITLY OR EXPLICITLY HAVING FEATURES OF ONE OR MORE DERIVATIVES. IN SOME INSTANCES, THESE EMBEDDED DERIVATIVES MUST BE SEGREGATED FROM THE HOST CONTRACTS AND BE VALUED, RECOGNIZED, PRESENTED AND REPORTED AS IF THEY WERE FREE-STANDING DERIVATIVE FINANCIAL INSTRUMENTS. TO DETERMINE AND ANALYZE WHETHER THE EMBEDDED DERIVATIVES MUST BE SEGREGATED FROM THE HOST CONTRACTS, THE COMPANY REVIEWS THE CONTRACTS ENTERED INTO FOR IDENTIFYING THE POTENTIAL EXISTENCE OF EMBEDDED DERIVATIVES. EMBEDDED DERIVATIVES SO IDENTIFIED ARE SUBJECT TO ASSESSMENT TO DETERMINE WHETHER THEY ARE TO BE SEGREGATED. IF SO, THEY ARE SEGREGATED FROM THE HOST CONTRACT AND RECORDED AT FAIR VALUE, WITH CHANGES IN FAIR VALUE REPORTED IN COMPREHENSIVE FINANCIAL RESULTS. IF A DECISION IS MADE THAT THE EMBEDDED DERIVATIVE IS TO BE DESIGNATED AND QUALIFIES FOR HEDGE ACCOUNTING PURPOSES, ONE OF THE THREE PERMISSIBLE HEDGE ACCOUNTING MODELS IS FOLLOWED.

(L) INCOME TAXES (IT), FLAT RATE BUSINESS TAX (IETU) AND EMPLOYEE STATUTORY PROFIT SHARING (ESPS)

CURRENT IT, IETU AND ESPS PAYABLE FOR THE YEAR ARE DETERMINED IN CONFORMITY WITH THE TAX PROVISIONS IN EFFECT.

DEFERRED IT, IETU AND ESPS ARE ACCOUNTED UNDER THE ASSET AND LIABILITY METHOD. DEFERRED TAX AND ESPS ASSETS AND LIABILITIES ARE RECOGNIZED FOR THE FUTURE TAX CONSEQUENCES ATTRIBUTABLE TO DIFFERENCES BETWEEN THE FINANCIAL STATEMENT CARRYING AMOUNTS OF EXISTING ASSETS AND LIABILITIES AND THEIR RESPECTIVE TAX BASES, AND IN THE CASE OF INCOME TAXES, FOR OPERATING LOSS CARRYFORWARDS AND OTHER RECOVERABLE TAX CREDITS. DEFERRED TAX AND ESPS ASSETS AND LIABILITIES ARE MEASURED USING ENACTED TAX RATES EXPECTED TO APPLY TO TAXABLE INCOME IN THE YEARS IN WHICH THOSE TEMPORARY DIFFERENCES ARE EXPECTED TO BE RECOVERED OR SETTLED. THE EFFECT ON DEFERRED TAX AND ESPS ASSETS AND LIABILITIES OF A CHANGE IN TAX RATES IS RECOGNIZED IN INCOME IN THE PERIOD THAT INCLUDES THE ENACTMENT DATE.

(M) COMPREHENSIVE LOSS

THE COMPREHENSIVE LOSS REPRESENTS THE NET LOSS FOR THE YEAR PLUS THE EFFECT OF THOSE ITEMS REFLECTED DIRECTLY IN STOCKHOLDERS' EQUITY, OTHER THAN CAPITAL CONTRIBUTIONS, REDUCTIONS AND DISTRIBUTIONS.

(N) COMPREHENSIVE FINANCING RESULT (CFR)

THE CFR INCLUDES INTEREST INCOME AND EXPENSE, FOREIGN EXCHANGE GAIN AND LOSS AND VALUATION EFFECTS OF FINANCIAL INSTRUMENTS, LESS THE AMOUNTS CAPITALIZED, AS PART OF FIXED ASSETS.

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 OPERATIONS.

(O) REVENUE RECOGNITION

THE COMPANY'S REVENUES ARE RECOGNIZED WHEN EARNED, AS FOLLOWS:

- TELEPHONY SERVICES - CUSTOMERS ARE CHARGED A FLAT MONTHLY FEE FOR BASIC SERVICE, A PER-CALL FEE FOR LOCAL CALLS, A PER-MINUTE USAGE FEE FOR CALLS COMPLETED ON A CELLULAR LINE AND DOMESTIC AND INTERNATIONAL LONG DISTANCE CALLS, AND A MONTHLY FEE FOR VALUE-ADDED SERVICES.
- ACTIVATION - AT THE MOMENT OF INSTALLING THE SERVICE WHEN THE CUSTOMER HAS A CONTRACT

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WITH INDEFINITE LIFE; OTHERWISE IS RECOGNIZED ACCORDING TO THE LENGTH OF THE CONTRACT BETWEEN THE CUSTOMER AND THE COMPANY.

- EQUIPMENT - AT THE MOMENT OF SELLING THE EQUIPMENT AND WHEN THE CUSTOMER ACQUIRES THE PROPERTY OF THE EQUIPMENT AND ASSUMED ALL RISKS.

- INTEGRATED SERVICES - AT THE MOMENT WHEN THE CLIENT RECEIVES THE SERVICE.

THE COMPANY PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED ON MANAGEMENT'S ANALYSES AND ESTIMATIONS. THE ALLOWANCE EXPENSE IS INCLUDED AS SELLING AND ADMINISTRATIVE EXPENSES IN THE CONSOLIDATED STATEMENT OF OPERATIONS.

## (P) BUSINESS RISK CONCENTRATION

THE COMPANY RENDERED SERVICES TO THREE CLIENTS THAT REPRESENTED APPROXIMATELY 14% AND 19% OF TOTAL NET RENTAL, INSTALLATION, SERVICE AND OTHER REVENUES DURING 2011 AND 2010, RESPECTIVELY. ALSO, THE COMPANY MAINLY RECEIVES INTERCONNECTION SERVICES FROM TELMEX.

## (Q) CONTINGENCIES

LIABILITIES FOR LOSS CONTINGENCIES ARE RECORDED WHEN IT IS PROBABLE THAT A LIABILITY HAS BEEN INCURRED AND THE AMOUNT OF THE ASSESSMENT AND/OR REMEDIATION CAN BE REASONABLY ESTIMATED. WHEN A REASONABLE ESTIMATION CANNOT BE MADE, QUALITATIVE DISCLOSURE IS PROVIDED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS. CONTINGENT REVENUES, EARNINGS OR ASSETS ARE NOT RECOGNIZED UNTIL THEIR REALIZATION IS VIRTUALLY ASSURED.

## (R) IMPAIRMENT OF PROPERTY, SYSTEMS AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

THE COMPANY EVALUATES, AT LEAST ONCE A YEAR, THE ADJUSTED VALUES OF ITS PROPERTY, SYSTEMS AND EQUIPMENT AND OTHER NON-CURRENT ASSETS SUBJECT TO AMORTIZATION TO DETERMINE WHETHER THERE IS AN INDICATION OF POTENTIAL IMPAIRMENT OR WHENEVER EVENTS OR CHANGES IN CIRCUMSTANCES INDICATE THAT THE CARRYING AMOUNT OF AN ASSET MAY NOT BE RECOVERABLE. RECOVERABILITY OF ASSETS TO BE HELD AND USED IS MEASURED BY A COMPARISON OF THE CARRYING AMOUNT OF AN ASSET TO ESTIMATED UNDISCOUNTED CASH FLOWS EXPECTED TO BE GENERATED BY THE ASSET. IF THE CARRYING AMOUNT OF AN ASSET EXCEEDS ITS ESTIMATED FUTURE CASH FLOWS, AN IMPAIRMENT CHARGE IS RECOGNIZED BY THE AMOUNT BY WHICH THE CARRYING AMOUNT OF THE ASSET EXCEEDS THE FAIR VALUE OF THE ASSET. ASSETS TO BE DISPOSED OFF ARE SEPARATELY PRESENTED IN THE BALANCE SHEET AND REPORTED AT THE LOWER OF THE CARRYING AMOUNT OR FAIR VALUE LESS COSTS TO SELL, AND ARE NO LONGER DEPRECIATED.

## (S) SEGMENT INFORMATION

THE COMPANY CONSIDERS THAT IT OPERATES IN A SINGLE BUSINESS SEGMENT. MANAGEMENT OVERSEES THE BUSINESS AS TWO REVENUE STREAMS (MASS MARKET AND BUSINESS MARKET); HOWEVER IT IS NOT POSSIBLE TO ATTRIBUTE DIRECT OR INDIRECT COSTS TO THE INDIVIDUAL STREAMS OTHER THAN SELLING EXPENSES.

## (T) ACCRUALS

BASED ON MANAGEMENT'S ESTIMATES, THE COMPANY RECOGNIZES ACCRUALS FOR PRESENT OBLIGATIONS WHERE THE TRANSFER OF ASSETS OR THE RENDERING OF SERVICES IS VIRTUALLY INEVITABLE AND ARISES AS A CONSEQUENCE OF PAST EVENTS, MAINLY INTERESTS, SALARIES AND OTHER PAYMENTS TO EMPLOYEES.

## (U) ADVERTISING EXPENSES

ADVERTISING COSTS ARE EXPENSED AS INCURRED.

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## (4) ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE CONSIST OF THE FOLLOWING:

	2011	2010	JANUARY 1, 2010
TRADE	\$ 4,025,091	4,059,229	3,509,743
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	2,007,078	1,818,695	1,658,055
ACCOUNTS RECEIVABLE, NET	\$ 2,018,013	2,240,534	1,851,688

THE ACTIVITY IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2009 WAS AS FOLLOWS:

	2011	2010
BALANCES AT BEGINNING OF YEAR	PS. 1,818,695	1,658,055
BAD DEBT EXPENSE	188,383	160,640
BALANCES AT YEAR END	PS. 2,007,078	1,818,695

## (5) 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. DURING NOVEMBER, THIS LOAN WAS PAID IN FULL.

### • SYNDICATED LOAN AGREEMENT WITH BANAMEX

ON NOVEMBER 17, 2011, THE COMPANY CLOSED A SYNDICATED LOAN WITH BANCO NACIONAL DE MEXICO, SA, A MEMBER OF GRUPO FINANCIERO BANAMEX; BANCO MERCANTIL DEL NORTE SA, INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO BANORTE; CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH; ING BANK NV, DUBLIN BRANCH AND STANDARD BANK PLC. THE TOTAL AMOUNT OF THE LINE IS US\$ 100 MILLION WITH A FOUR YEAR TENOR, TWO YEAR GRACE PERIOD OF PRINCIPAL AND MADE UP OF A FUNDED AMOUNT AND A COMMITTED SHORT TERM REVOLVING FACILITY. THE LOAN IS SECURED BY THE ACCOUNTS RECEIVABLE OF CERTAIN CORPORATE CUSTOMERS OF THE COMPANY. AS OF DECEMBER 31, 2011 US\$ 44.5 MILLION AND MX\$ 216.9 MILLION HAVE BEEN FUNDED, WHILE THE REVOLVING FACILITY HAS NOT BEEN DISBURSED. THE OPERATION CONTEMPLATES A RATE RANGE, GOING FROM LIBOR+3.0% TO LIBOR+4.5% IN DOLLARS AND A TIE+3.0% TO TIE+4.5% IN PESOS, ACCORDING TO THE LEVERAGE OF THE COMPANY. INTEREST PAYMENTS ARE ON A QUARTERLY BASIS AND THE PURPOSE OF THE LOAN IS TO STRENGTHEN LIQUIDITY, CAPITAL INVESTMENTS, DEBT REPAYMENT AND OTHER CORPORATE GENERAL PURPOSES.

### • 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

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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 DECEMBER 31, 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 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 YEARS ENDED DECEMBER 31, 2011 AND 2010, THE COMPANY PAID DELTA INMOBILIARIA Y VALORES APPROXIMATELY US\$ 3.0 MILLION AND US\$2.5 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 YEARS ENDED DECEMBER 31, 2011 AND 2010, THE COMPANY PAID NEORIS APPROXIMATELY US\$0.4 MILLION AND US\$0.2 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 YEARS ENDED DECEMBER 31, 2011 AND 2010, THE COMPANY PAID THEM APPROXIMATELY US\$2.1 MILLION AND US\$1.9 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 YEARS ENDED DECEMBER 31, 2011 AND 2010, THE COMPANY CONTRIBUTED APPROXIMATELY US\$ 1.3 AND US\$ 1.0 MILLION, RESPECTIVELY, TO FUNDACIÓN AXTEL.

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• 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, 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.

## (6) INTANGIBLE ASSETS

INTANGIBLE ASSETS WITH DEFINED USEFUL LIVES CONSIST OF THE FOLLOWING:

	2011	2010	JANUARY 1, 2010
TELEPHONE CONCESSION RIGHTS AXTEL	PS. 1,073,135	1,073,135	1,073,135
TELEPHONE CONCESSION RIGHTS AVANTEL	114,336	114,336	114,336
CUSTOMERS RELATIONSHIPS	324,183	324,183	324,183
TRADE NAME "AVANTEL"	186,074	186,074	186,074
OTHER INTANGIBLE ASSETS	418,086	351,238	354,881
	2,115,814	2,048,966	2,052,609
LESS ACCUMULATED AMORTIZATION	1,398,264	1,295,857	1,227,965
INTANGIBLE ASSETS, NET	PS. 717,550	753,109	824,644

## (7) SHORT-TERM DEBT

SHORT-TERM DEBT AS OF DECEMBER 31, 2010 CONSISTS OF A REVOLVING UNSECURED CREDIT AGREEMENT WITH BANAMEX IN MEXICAN PESOS, DUE IN MARCH 2011 AND RENEWABLE ON A QUARTERLY BASIS. THE INTEREST RATE IS TIEE + 375 BASE POINTS AND IT IS DUE MONTHLY. ON NOVEMBER 2011 THIS LOAN WAS PAID IN FULL.

## (8) LONG-TERM DEBT

MOST SIGNIFICANT CHANGES IN THE LONG-TERM DEBT DURING 2011, 2010 AND 2009 ARE AS FOLLOWS:

ON NOVEMBER 17, 2011, THE COMPANY CLOSED A SYNDICATED LOAN WITH BANCO NACIONAL DE MEXICO, SA, A MEMBER OF GRUPO FINANCIERO BANAMEX; BANCO MERCANTIL DEL NORTE SA, INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO BANORTE; CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH; ING BANK NV, DUBLIN BRANCH AND STANDARD BANK PLC. THE TOTAL AMOUNT OF THE LINE IS US\$ 100 MILLION WITH A FOUR YEAR TENOR, TWO YEAR GRACE PERIOD OF PRINCIPAL AND MADE UP OF A FUNDED AMOUNT AND A COMMITTED SHORT TERM REVOLVING FACILITY. THE LOAN IS SECURED BY THE ACCOUNTS RECEIVABLE OF CERTAIN CORPORATE CUSTOMERS OF THE COMPANY. AS OF DECEMBER 31, 2011 US\$ 44.5 MILLION AND MX\$ 216.9 MILLION HAVE BEEN FUNDED, WHILE THE REVOLVING FACILITY HAS NOT BEEN DISBURSED. THE OPERATION CONTEMPLATES A RATE RANGE, GOING FROM LIBOR+3.0% TO LIBOR+4.5% IN DOLLARS AND A TIEE+3.0% TO TIEE+4.5% IN PESOS, ACCORDING TO THE LEVERAGE OF THE COMPANY. INTEREST PAYMENTS ARE ON A QUARTERLY BASIS AND THE PURPOSE OF THE LOAN IS TO STRENGTHEN LIQUIDITY, CAPITAL INVESTMENTS, DEBT REPAYMENT AND OTHER CORPORATE GENERAL PURPOSES.

ON MARCH 22, 2010, THE COMPANY COMPLETED AN ISSUANCE OF SENIOR UNSECURED NOTES, FOR AN AMOUNT OF U.S. \$190 MILLION WITH DUE DATE ON SEPTEMBER 22, 2019 AND WITH AN ANNUAL



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INTEREST RATE OF 9.0% WHICH WILL BE PAID SEMIANNUALLY STARTING SEPTEMBER 22, 2010. THE PROCEEDS OF THIS ISSUANCE WERE MAINLY USED TO PREPAY THE REMAINING BALANCE OF THE USD AND PS. PORTIONS OF THE SYNDICATED LOAN THAT AMOUNTED TO U.S. \$ 22.7 MILLION AND PS. 938.1 MILLION, RESPECTIVELY. THE REMAINING PROCEEDS WILL BE USED TO PAY OTHER SHORT-TERM DEBT AND IN GENERAL CORPORATE PURPOSES.

SOME OF THE DEBT AGREEMENTS THAT REMAIN OUTSTANDING ESTABLISH CERTAIN COVENANTS, THE MOST SIGNIFICANT OF WHICH REFER TO LIMITATIONS ON DIVIDEND PAYMENTS AND COMPREHENSIVE INSURANCE ON PLEDGED ASSETS AND THE COMPLIANCE WITH CERTAIN FINANCIAL RATIOS. AS OF DECEMBER 31, 2010 AND FEBRUARY 29, 2011, THE COMPANY WAS IN COMPLIANCE WITH ALL OF ITS COVENANTS.

(9) ASSET RETIREMENT OBLIGATION AND OTHER LONG-TERM ACCOUNTS PAYABLE

AS OF DECEMBER 31, 2011, 2010 AND JANUARY 1, 2011 THIS ITEM IS AS FOLLOWS:

	2011	2010	JANUARY 1, 2010
ASSET RETIREMENT OBLIGATION PS.	253,129	223,824	177,932
OTHER LONG-TERM ACCOUNTS PAYABLE	12,233	18,535	14,438
PS.	265,362	242,359	192,370

BASED ON THE REQUIREMENTS OF THE NIF C-18, THE COMPANY CONDUCTED AN ANALYSIS OF THE OBLIGATIONS ASSOCIATED WITH THE RETIREMENT OF PROPERTY, PLANT AND EQUIPMENT, MAINLY IDENTIFYING SITES BUILT ON LEASED LAND ON WHICH IT HAS A LEGAL OBLIGATION OR ASSUMED THE RETIREMENT THEREOF.

AS A RESULT OF THE ADOPTION OF THIS NEW ACCOUNTING STANDARD, THE FINANCIAL STATEMENTS PREVIOUSLY REPORTED WERE ADJUSTED RETROSPECTIVELY.

(10) STOCKHOLDERS' EQUITY

THE MAIN CHARACTERISTICS OF STOCKHOLDERS' EQUITY ARE DESCRIBED BELOW:

(A) CAPITAL STOCK STRUCTURE

DURING JULY 2008 THE COMPANY BEGAN A PROGRAM TO REPURCHASE OWN SHARES WHICH WAS APPROVED AT AN ORDINARY SHAREHOLDER MEETING HELD ON APRIL 23, 2008 FOR UP TO PS. 440 MILLION. AS OF DECEMBER 31, 2008 THE COMPANY HAD REPURCHASED 26,096,700 CPO'S (182,676,900 SHARES). DURING JULY, AUGUST AND SEPTEMBER 2009, THE CPOS PURCHASED THROUGH THE REPURCHASE PROGRAM WAS RESOLD IN THE MARKET.

THE ACQUISITION OF AVANTEL ALSO INCLUDED A SERIES B SHARES SUBSCRIPTION AGREEMENT ('SUBSCRIPTION AGREEMENT') WITH TEL HOLDING, AN INDIRECT SUBSIDIARY OF CITIGROUP, INC., FOR AN AMOUNT EQUIVALENT TO UP TO 10% OF AXTEL'S COMMON STOCK. FOR THIS TO COME INTO EFFECT, THE COMPANY OBTAINED STOCKHOLDER APPROVAL (I) TO INCREASE CAPITAL BY ISSUING SERIES B SHARES IN A NUMBER THAT WAS SUFFICIENT FOR TEL HOLDING TO ISSUE AND PAY SERIES B SHARES (IN THE FORM OF CPOS) REPRESENTING UP TO A 10% EQUITY SHARE IN AXTEL; AND (II) FOR THE SUBSCRIPTION AND PAYMENT OF THE SERIES B SHARES THAT REPRESENTED THE SHARES ISSUED BY TEL HOLDING AND ANY SHARES ISSUED BY STOCKHOLDERS THAT ELECTED TO ISSUE AND PAY FOR ADDITIONAL SERIES B SHARES IN EXERCISE OF THEIR PREFERENTIAL RIGHT GRANTED BY THE MEXICAN GENERAL CORPORATION LAW.

ON DECEMBER 22, 2006 PURSUANT TO THE SUBSCRIPTION AGREEMENT, THE COMPANY RECEIVED NOTICE FROM TEL HOLDING CONFIRMING THAT IT ACQUIRED 533,976,744 SERIES B SHARES

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(REPRESENTED BY 76,282,392 CPOS) FROM THE MEXICAN STOCK EXCHANGE (BOLSA MEXICANA DE VALORES, OR ``BMV'`) AND CONFIRMING ITS INTENTION TO ISSUE AND PAY FOR 246,453,963 NEW SERIES B SHARES (REPRESENTED BY 35,207,709 CPOS). THE NEW SERIES B SHARES WERE SUBSCRIBED AND PAID FOR BY TEL HOLDING THROUGH THE CPOS TRUST ON JANUARY 4, 2007.

AT DECEMBER 31, 2010, THE COMMON STOCK OF THE COMPANY IS PS. 6,625,536. THE COMPANY HAS 8,769,353,223 SHARES ISSUED AND OUTSTANDING. COMPANY'S SHARES ARE DIVIDED IN TWO SERIES: SERIES A AND B; BOTH SERIES HAVE TWO TYPE OF CLASSES, CLASS "I" AND CLASS "II", WITH NO PAR VALUE. FROM THE TOTAL SHARES, 96,636,627 SHARES ARE SERIES A AND 8,672,716,596 SHARES ARE SERIES B. AT DECEMBER 31, 2009 THE COMPANY HAS ONLY ISSUED CLASS "I" SHARES. ALSO, AT DECEMBER 31, 2010 AND 2009 ALL SHARES ISSUED ARE PART OF THE FIXED PORTION.

## (B) STOCKHOLDERS' EQUITY RESTRICTIONS

STOCKHOLDERS' CONTRIBUTIONS, RESTATED FOR INFLATION AS PROVIDED IN THE TAX LAW, TOTALING PS. 8,346,917 MAY BE REFUNDED TO STOCKHOLDERS TAX-FREE.

NO DIVIDENDS MAY BE PAID WHILE THE COMPANY HAS A DEFICIT. SOME OF THE DEBT AGREEMENTS ESTABLISH LIMITATIONS ON DIVIDEND PAYMENT.

## (C) COMPREHENSIVE (LOSS) INCOME

THE COMPREHENSIVE (LOSS) INCOME REPORTED ON THE STATEMENTS OF STOCKHOLDERS' EQUITY REPRESENTS THE RESULTS OF THE TOTAL PERFORMANCE OF THE COMPANY DURING THE YEAR, AND INCLUDES THE ITEMS MENTIONED BELOW WHICH, IN ACCORDANCE WITH MEXICAN FRs, ARE REPORTED DIRECTLY IN STOCKHOLDERS' EQUITY, EXCEPT FOR NET (LOSS) INCOME.

	2011	2010
NET (LOSS) INCOME	PS. (2,042,922)	(307,140)
FAIR VALUE OF DERIVATIVE INSTRUMENTS	213,715	(258,014)
DEFERRED IT OF DERIVATIVE FINANCIAL INSTRUMENTS	(64,115)	77,404
COMPREHENSIVE (LOSS) INCOME	PS. (1,893,322)	(487,750)

## (11) OTHER (EXPENSE) INCOME, NET

OTHER (EXPENSE) INCOME CONSISTS OF THE FOLLOWING:

	2011	2010
WRITE OFF OF FIXED ASSETS INVENTORIES	PS. (324,409)	-
RESTRUCTURING COST	(63,500)	(163,215)
GAIN ON GUARANTEE DEPOSIT CANCELATION	-	196,302
IMPAIRMENT OF OTHER PERMANENT INVESTMENTS	(36,938)	-
OTHERS, NET	5,397	5,381
	PS. (419,450)	38,468

THE OTHER ITEM IS COMPOSED MAINLY OF WRITE OFF OF FIXED ASSETS AND OTHER EXPENSES NOT DERIVED FROM THE MAIN ACTIVITIES OF THE COMPANY

## (12) COMMITMENTS AND CONTINGENCIES

AS OF DECEMBER 31, 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

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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 DECEMBER 31, 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.

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 DECEMBER 31, 2011, THE COMPANY HAS NOT RECOGNIZED THE BENEFIT OF ANY SUCH POSSIBLE RECOVERY.

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. 0.4705 AND PS. 0.4179 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 DECEMBER 31, 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. 1,979 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

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THE COURTS RULE AGAINST THESE RESOLUTIONS, AND THAT AS A RESULT, DIFFERENT RATES ARE 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. 0.4705 AND PS. 0.4179 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.

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.

ON FEBRUARY, 2012, AND ON THE FIRST WEEK ON MARCH, 2012, THE SUPREME COURT OF JUSTICE, RULED THAT THE SCT HAD NO STANDING TO RESOLVE THE REVIEW PROCEEDINGS FILLED BY AXTEL, AND THAT THE COFETEL IS THE AUTHORITY THAT SHOULD SOLVE THESE REVIEW PROCEDURES. BY MEANS OF THE ABOVE, COFETEL MUST, IN THE FOLLOWING MONTHS, DETERMINE YET AGAIN, THE INTERCONNECTION TARIFFS APPLICABLE BETWEEN AXTEL AND THE MOBILE SERVICE PROVIDERS, MENTIONED IN THE PRECEDENT PARAGRAPHS. THEREFORE, THE INTERCONNECTION TARIFFS THAT AXTEL HAS TO PAY TO THESE MOBILE SERVICE PROVIDERS, ARE NOT DEFINITELY DETERMINED, DUE TO THE FACT THAT THESE NEW RESOLUTIONS COULD BE, ONCE AGAIN, CONTESTED BY THE PARTIES.

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 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.

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(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 DECEMBER 31, 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.

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

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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 DECEMBER 31, 2011, AVANTEL HAS BEEN ABLE TO RECOVER PS.335,883 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. 139,790 IS RECOGNIZED IN THE "OTHER ACCOUNTS RECEIVABLE" LINE ITEM IN THE BALANCE SHEET.

(C) ON JANUARY 24, 2001, AN AGREEMENT WAS ENTERED INTO WITH GLOBAL TOWERS COMMUNICATIONS MEXICO, S. DE R.L. DE C.V. (FORMERLY SPECTRASITE COMMUNICATIONS MEXICO, S. DE R.L. DE C.V.), WITH EXPIRATION ON JANUARY 24, 2004, WHEREBY GLOBAL TOWERS WAS TO PROVIDE TO THE COMPANY WITH SERVICES FOR THE LOCATION, CONSTRUCTION, SETTING UP AND SELLING OF SITES WITHIN THE MEXICAN TERRITORY. AS PART OF THE OPERATION, THE COMPANY AGREED TO LEASE FROM GLOBAL TOWERS 650 SITES IN A TIME FRAME PERIOD OF THREE YEARS.

ON JANUARY 24, 2001, THE COMPANY RECEIVED 13 MILLION DOLLARS FROM GLOBAL TOWERS TO SECURE THE ACQUISITION OF THE 650 SITES AT 20,000 DOLLARS PER SITE. ACCORDING TO THE AGREEMENT, THESE FUNDS ARE NOT SUBJECT TO RESTRICTIONS WITH RESPECT TO THEIR USE AND DESTINATION. HOWEVER, THE AGREEMENT CONTEMPLATES THE PAYMENT OF INTEREST AT A PRIME RATE IN FAVOR OF GLOBAL TOWERS ON THE WARRANTY AMOUNT CORRESPONDING TO THE NUMBER OF SITES THAT AS OF JUNE 24, 2004, WERE NOT SOLD OR LEASED IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT.

DURING 2002, SPECTRASITE COMMUNICATIONS MÉXICO, S. DE R.L. DE C.V., FILED AN ORDINARY MERCANTILE TRIAL AGAINST THE COMPANY BEFORE THE THIRTIETH CIVIL COURT, WHICH WAS FILED UNDER THE NUMBER 203/2002, CLAIMING THE REFUND OF THE GUARANTEE DEPOSIT FOR AN AMOUNT OF USD\$13'000,000.00 (THIRTEEN MILLION DOLLARS 00/100 US CURRENCY), PLUS INTEREST AND TRIAL-RELATED EXPENSES; THE COMPANY GAVE ANSWER TO THIS LAW SUIT, BY OPPOSING TO THE REIMBURSEMENT OF SUCH DEPOSIT, AND COUNTERCLAIMING FROM ITS NORTH AMERICAN HOLDING SPECTRASITE COMMUNICATIONS INC., THE PAYMENT OF ANY AND ALL LOSSES INCURRED TO AXTEL AS A RESULT OF THE UNLAWFUL TERMINATION OF THE AGREEMENT, MADE UNILATERALLY BY SPECTRASITE.

FINALLY, AFTER 3 AMPARO TRIAL RULINGS, ON DECEMBER 15 2011, WAS CONFIRMED THE RESOLUTION ISSUED BY THE THIRD CIVIL CHAMBER BY MEANS OF THE APPELLATE COURT FILE 1242/2008, ISSUED ON SEPTEMBER 22, 2010. DUE TO THE ABOVE SAID, THERE IS NO LIABILITY AGAINST AXTEL ARISING FROM THE AGREEMENT ENTERED WITH GLOBAL TOWERS.

ADDITIONALLY, GLOBAL TOWERS AND SPECTRASITE COMMUNICATRION INC., WERE CONDEMNED TO PAY TO AXTEL, THE AMOUNT OF USD\$13'000,000.00 (THIRTEEN MILLION DOLLARS 00/100 US CURRENCY), AS A RESULT OF DAMAGES CAUSED TO AXTEL, DUE TO THEIR NON-COMPLIANCE WITH THE OBLIGATION REGARDING TO THE CONSTRUCTION OR ACQUISITION FROM AXTEL, OF THE 650 SPECIFIC CONTRACTS, THAT CAME AS A RESULT OF THE UNLAWFUL TERMINATION OF THE AGREEMENT.

GLOBAL TOWERS COMUNICATIONS MÉXICO, S. DE R.L. DE C.V., FORMERLY SPECTRASITE COMUNICATIONS MÉXICO, S. DE R.L. DE C.V., AS WELL AS ITS AMERICAN HOLDING, WERE CONDEMNED TO THE PAYMENT OF INTERESTS IN FAVOR OF AXTEL, AT A RATE OF SIX PERCENT PER YEAR, ACCRUED SINCE THE 28 DAY OF FEBRUARY, 2002, DATE IN WHICH THE AGREEMENT WAS UNLAWFULLY TERMINATED.

(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

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HAVE SIGNIFICANT ADVERSE EFFECTS ON THE COMPANY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS.

(13) INTERNATIONAL FINANCIAL REPORTING STANDARDS

THE NATIONAL BANKING AND SECURITIES COMMISSION (CNBV) REQUIRES CERTAIN ENTITIES THAT DISCLOSE THEIR FINANCIAL INFORMATION TO THE PUBLIC THROUGH THE MEXICAN STOCK EXCHANGE, THAT BEGINNING IN 2012, THEY MUST PREPARE AND DISCLOSE THEIR FINANCIAL INFORMATION ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB).

THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2012 TO BE ISSUED BY THE COMPANY WILL BE ITS FIRST ANNUAL FINANCIAL STATEMENTS THAT COMPLY WITH IFRS. THE TRANSITION DATE IS JANUARY 1, 2011 AND, THEREFORE, THE YEAR ENDED DECEMBER 31, 2011 WILL BE THE COMPARATIVE PERIOD ESTABLISHED BY IFRS 1, FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS. ACCORDING TO IFRS 1, THE COMPANY WILL APPLY THE RELEVANT MANDATORY EXCEPTIONS AND CERTAIN OPTIONAL EXEMPTIONS.

THE COMPANY WILL APPLY THE RELEVANT MANDATORY EXCEPTIONS TO THE RETROACTIVE APPLICATION OF IFRS AS FOLLOWS:

CALCULATION OF ESTIMATES - ESTIMATES AT THE DATE OF TRANSITION ARE CONSISTENT WITH ESTIMATES AT THE SAME DATE UNDER MFRS, UNLESS THERE IS EVIDENCE OF ERROR IN THESE ESTIMATES.

HEDGE ACCOUNTING - HEDGE ACCOUNTING WILL BE APPLIED ONLY IF THE HEDGE RELATIONSHIP MEETS THE CRITERIA ESTABLISHED BY IFRS AS OF THE DATE OF TRANSITION.

NON-CONTROLLING INTERESTS - THE COMPANY DOES NOT INCLUDE A NON-CONTROLLING INTEREST IN ITS FINANCIAL STATEMENTS REQUIRING THE APPLICATION OF THE REQUIREMENTS OF IAS 27, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS, RELATING TO NON-CONTROLLING INTEREST PROSPECTIVELY FROM THE DATE OF TRANSITION.

THE COMPANY CHOSE THE FOLLOWING OPTIONAL EXEMPTIONS TO THE RETROACTIVE APPLICATION OF IFRS:

BUSINESS COMBINATIONS - THE BUSINESS COMBINATIONS EXEMPTION WILL BE APPLIED; THEREFORE, NO REFORMULATIONS HAVE BEEN MADE TO BUSINESS COMBINATIONS THAT TOOK PLACE BEFORE THE DATE OF TRANSITION.

DEEMED COST - THE DEEMED COST EXEMPTION WILL BE APPLIED; THEREFORE, THE COMPANY HAS OPTED FOR USING THE RESTATED AMOUNTS ACCORDING TO MEXICAN FINANCIAL REPORTING STANDARDS OF THE ITEMS OF PROPERTY, PLANT AND EQUIPMENT, WHICH INCLUDE INFLATION ADJUSTMENTS UNTIL DECEMBER 31, 2007, BEING THE LAST PERIOD WHEN FRS REQUIRED THE RECOGNITION OF THE EFFECTS OF INFLATION ON FINANCIAL INFORMATION BY USING GENERAL INDEXES.

EMPLOYEE BENEFITS - THE EMPLOYEE BENEFITS EXEMPTION WILL BE APPLIED; THEREFORE, ALL CUMULATIVE ACTUARIAL GAINS AND LOSSES AS OF THE DATE OF TRANSITION ARE RECOGNIZED ON THE CUMULATIVE LOSSES FROM PREVIOUS YEARS.

BORROWING COSTS - THE COMPANY WILL APPLY THE BORROWING COSTS EXEMPTION TO NOT MODIFY THE CAPITALIZED BORROWING COSTS ON QUALIFIED ASSETS FOR A PERIOD THAT COMMENCED AND ENDED BEFORE THE TRANSITION DATE.

BELOW IS A SUMMARY OF THE MAIN DIFFERENCES BETWEEN MEXICAN FINANCIAL REPORTING STANDARDS AND IFRS THAT THE COMPANY HAS IDENTIFIED AS OF THE DATE OF THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS:

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EFFECTS OF INFLATION - UNDER IFRS, THE INFLATIONARY EFFECTS ARE RECOGNIZED IN THE FINANCIAL STATEMENTS WHEN THE ECONOMY OF THE CURRENCY USED BY THE COMPANY QUALIFIES AS HYPERINFLATIONARY. THE MEXICAN ECONOMY WAS NO LONGER HYPERINFLATIONARY IN 1998 AND, CONSEQUENTLY, INFLATIONARY EFFECTS THAT WERE RECOGNIZED BY THE COMPANY UNTIL DECEMBER 31, 2007 UNDER NIF WERE REVERSED. THE LOW OF VALUE IN THE INTANGIBLE ASSET WAS \$210,005, OTHER ASSETS BY \$7,483, THE RECLASSIFICATION OF THE CAPITAL STOCK WAS \$ 936,539 AND ADDITIONAL PAID-IN CAPITAL WAS \$96,961 AGAINST THE ACCUMULATED LOSSES FROM PRIOR YEARS AT THE TRANSITION DATE.

EMPLOYEE BENEFITS - UNDER IFRS, PROVISIONS FOR SEVERANCE COMPENSATIONS ARE RECOGNIZED UNTIL THE COMPANY HAS A DEMONSTRABLE COMMITMENT TO END THE RELATIONSHIP WITH THE EMPLOYEE OR HAS MADE AN OFFER TO ENCOURAGE VOLUNTARY RETIREMENT, THEREFORE, THE LIABILITY RECOGNIZED UNDER FRS OF \$ 55,816 WAS REMOVED. ALSO, IFRS DOES NOT ALLOW THE RECOGNITION OF DEFERRED ESPS ASSETS OR LIABILITIES; THEREFORE, THE DEFERRED ESPS ASSET RECOGNIZED UNDER FRS OF \$ 18,581 WAS ELIMINATED.

DEFERRED TAX - THE ADJUSTMENTS TO BE RECOGNIZED BY THE COMPANY REPRESENT AN IMPACT ON THE DEFERRED INCOME TAXES CALCULATION, ACCORDING WITH THE REQUIREMENTS ESTABLISHED BY IAS 12, INCOME TAXES. THE IMPACT RESULTED IN AN INCREASE IN DEFERRED TAX ASSETS BY \$ 287,194.

EMBEDDED DERIVATIVE FINANCIAL INSTRUMENTS - IAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT, ESTABLISHES AN EXCEPTION TO EMBEDDED DERIVATIVES IN CONTRACTS THAT ARE DENOMINATED IN FOREIGN CURRENCY WHEN THE FOREIGN CURRENCY IS COMMONLY USED IN THE ECONOMIC ENVIRONMENT OF THE COMPANY, WHICH IS THE CASE OF U.S. DOLLAR, SO THE COMPANY CANCELED THE BALANCE RECOGNIZED UNDER FRS IN EMBEDDED DERIVATIVES FOR \$ 196.

OTHER DIFFERENCES IN PRESENTATION AND DISCLOSURES IN THE FINANCIAL STATEMENTS - IFRS DISCLOSURE REQUIREMENTS ARE, GENERALLY, WIDER IN SCOPE THAN THOSE OF FRS. THIS MAY RESULT IN A LARGER NUMBER OF DISCLOSURES REGARDING ACCOUNTING POLICIES, SIGNIFICANT JUDGMENTS AND ESTIMATES; FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, AMONG OTHERS. IN ADDITION, THERE MAY BE DIFFERENCES IN PRESENTATION.

THE INFORMATION CONTAINED IN THIS NOTE HAS BEEN PREPARED IN ACCORDANCE WITH THE STANDARDS AND INTERPRETATIONS ISSUED AND IN EFFECT, OR ISSUED AND ADOPTED IN ADVANCE OF THE DATE OF PREPARATION OF THESE CONSOLIDATED FINANCIAL STATEMENTS. STANDARDS AND INTERPRETATIONS THAT WILL BE APPLICABLE AS OF DECEMBER 31, 2012, INCLUDING THOSE THAT MAY BE APPLIED OPTIONALLY, ARE NOT KNOWN WITH CERTAINTY AT THE TIME OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011 AND 2010. IN ADDITION, THE ACCOUNTING POLICIES SELECTED BY THE COMPANY COULD BE MODIFIED AS A CONSEQUENCE OF CHANGES IN THE ECONOMIC ENVIRONMENT OR INDUSTRY TRENDS THAT OCCUR AFTER THE ISSUANCE OF THESE CONSOLIDATED FINANCIAL STATEMENTS. THE INFORMATION CONTAINED IN THIS NOTE IS NOT INTENDED TO COMPLY WITH IFRS, AS ONLY A GROUP OF FINANCIAL STATEMENTS THAT INCLUDES THE STATEMENTS OF FINANCIAL POSITION, COMPREHENSIVE INCOME, CHANGES IN STOCKHOLDERS' EQUITY AND CASH FLOWS, ALONG WITH COMPARATIVE INFORMATION AND EXPLANATORY NOTES, CAN PROVIDE AN APPROPRIATE PRESENTATION OF THE FINANCIAL POSITION OF THE COMPANY, THE RESULT OF ITS OPERATIONS AND ITS CASH FLOWS IN ACCORDANCE WITH IFRS.

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## MEXICAN STOCK EXCHANGE

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

### ANALYSIS OF INVESTMENTS IN SHARES

CONSOLIDATED

SUBSIDIARIES

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COMPANY NAME	MAIN ACTIVITIES	NUMBER OF SHARES	% OWNERSHIP
INSTALACIONES Y CONTRATACIONES, S.A. DE C.V.	SERVICIOS ADMINISTRATIVOS	33,615,358	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	7	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

CONSOLIDATED

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	9,667
TOTAL INVESTMENT IN ASSOCIATES				24,497	9,667
OTHER PERMANENT INVESTMENTS					0
TOTAL					9,667

NOTES

# MEXICAN STOCK EXCHANGE

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## BREAKDOWN OF CREDITS

(Thousand Pesos)

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CREDIT TYPE / INSTITUTION	WITH FOREIGN INSTITUTION	DATE OF CONTRACT	AMORTIZATION DATE	INTEREST RATE	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	
<b>BANKS</b>																	
<b>FOREIGN TRADE</b>																	
<b>SECURED</b>																	
CREDITO SINDICADO	NOT APPLIED	17/11/2011	17/11/2015	ENTRE 300 Y 450		0	24,110	96,441	96,441	0							
CREDITO SINDICADO	YES	17/11/2011	17/11/2015	ENTRE 300 Y 450							0	69,102	276,405	276,405	276,405	0	
<b>COMMERCIAL BANKS</b>																	
<b>OTHER</b>																	
<b>TOTAL BANKS</b>						0	0	24,110	96,441	96,441	0	0	0	69,102	276,405	276,405	0

# MEXICAN STOCK EXCHANGE

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QUARTER: **04** YEAR: **2011**

## BREAKDOWN OF CREDITS

(Thousand Pesos)

**CONSOLIDATED**

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CREDIT TYPE / INSTITUTION	WITH FOREIGN INSTITUTION	DATE OF CONTRACT	AMORTIZATION DATE	INTEREST RATE	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
STOCK MARKET																
LISTED STOCK EXCHANGE																
UNSECURED																
SECURED																
PRIVATE PLACEMENTS																
UNSECURED																
SENIOR NOTES FEB 2007	YES	02/02/2007	01/02/2017	7.63								0	0	0	0	3,847,360
SENIOR NOTES SEP 2009	YES	22/09/2009	22/09/2019	9								0	0	0	0	4,197,120
SENIOR NOTES MAR 2010	YES	22/03/2010	22/09/2019	9								0	0	0	0	2,658,176
SECURED																
<b>TOTAL BANKS</b>						0	0	0	0	0	0	0	0	0	0	<b>10,702,656</b>

# MEXICAN STOCK EXCHANGE

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

## BREAKDOWN OF CREDITS

(Thousand Pesos)

**CONSOLIDATED**

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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	
<b>SUPPLIERS</b>																
PROVEEDORES	NOT APPLIED				1,145,702	0	0	0	0							
PROVEEDORES	NOT									846,413	0	0	0	0	0	
PROVEEDORES	YES									403,722	0	0	0	0	0	
<b>TOTAL SUPPLIERS</b>					0	1,145,702	0	0	0	0	1,250,135	0	0	0	0	
<b>OTHER LOANS WITH COST (S103 Y S30)</b>																
OTROS CREDITOS CON COSTO	NOT APPLIED				191,878	207,320	188,453	2,913	0							
OTROS CREDITOS CON COSTO	NOT									189,002	100,827	39,675	13,647	0	0	
<b>TOTAL</b>					0	191,878	207,320	188,453	2,913	0	189,002	100,827	39,675	13,647	0	
<b>OTHER CURRENT LIABILITIES WITHOUT COST (S26)</b>																
OTROS PASIVOS CIRCULANTES	NOT APPLIED				763,436											
OTROS PASIVOS CIRCULANTES										322,007						
<b>TOTAL</b>					0	763,436	0	0	0	0	322,007	0	0	0	0	
<b>TOTAL</b>					0	2,101,016	231,430	284,894	99,354	0	0	1,761,144	169,929	316,080	290,052	10,702,656

# MEXICAN STOCK EXCHANGE

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## MONETARY FOREIGN CURRENCY POSITION

**CONSOLIDATED**

(Thousand Pesos)

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FOREIGN CURRENCY POSITION	DOLLARS		OTHER CURRENCIES		TOTAL THOUSANDS OF PESOS
	DOLLARS	PESOS	DOLLARS	PESOS	
<b>MONETARY ASSETS</b>	117,550	1,644,573	0	0	1,644,573
<b>LIABILITIES POSITION</b>	946,353	13,239,861	0	0	13,239,861
SHORT-TERM LIABILITIES POSITION	125,882	1,761,144	0	0	1,761,144
LONG-TERM LIABILITIES POSITION	820,471	11,478,717	0	0	11,478,717
<b>NET BALANCE</b>	<b>-828,803</b>	<b>-11,595,288</b>	<b>0</b>	<b>0</b>	<b>-11,595,288</b>

NOTES

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

QUARTER: **04** YEAR: **2011**

## RESULT FROM MONETARY POSITION

CONSOLIDATED

(Thousand Pesos)

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

<b>OTHER CONCEPTS:</b>					
CAPITALIZED RESULT FOR MONETARY POSITION					

NOTES

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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:

1. A RATIO OF TOTAL DEBT TO ADJUSTED EBITDA OF NO MORE THAN 4 TIMES.

SYNDICATED CREDIT AGREEMENT WITH BANAMEX, CREDIT SUISSE, BANORTE, ING AND STANDARD BANK INCLUDES THE FOLLOWING FINANCIAL RATIOS:

1. DEBT SERVICE, 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 HIGHER THAN THREE TIMES.

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MEXICAN STOCK EXCHANGE

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

**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

**NOTES**

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QUARTER: **04** YEAR: **2011**

## MAIN RAW MATERIALS

**CONSOLIDATED**

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

**NOTES**

# MEXICAN STOCK EXCHANGE

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

QUARTER: **04** YEAR: **2011**

## SALES DISTRIBUTION BY PRODUCT

**CONSOLIDATED**

NET SALES/TOTAL SALES

**Final Printing**

MAIN PRODUCTS	NET SALES		MARKET SHARE (%)	MAIN	
	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
<b>DOMESTIC SALES</b>					
SERVICIO LOCAL	0	4,160,082	0.00		
SERVICIO DE L.D.	0	1,223,985	0.00		
DATOS	0	2,594,528	0.00		
TRAFICO INTL.	0	1,246,418	0.00		
OTROS SERVICIOS	0	1,604,392	0.00		
<b>FOREIGN SALES</b>					
<b>TOTAL</b>		<b>10,829,405</b>			

# MEXICAN STOCK EXCHANGE

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

QUARTER: **04** YEAR: **2011**

## SALES DISTRIBUTION BY PRODUCT

CONSOLIDATED

FOREIGN SALES

Final Printing

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

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **04** YEAR: **2011**

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

**PROJECT, AMOUNT EXERCISED AND PROGRESS  
PERCENTAGE**

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NOT APPLICABLE

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# MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **04** YEAR: **2011**

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

**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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MEXICAN STOCK EXCHANGE

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

QUARTER: 04 YEAR: 2011

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
<b>TOTAL</b>			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

NOTES

# MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **04** YEAR: **2011**

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

**DERIVATIVE FINANCIAL INSTRUMENTS**

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AXTEL, S.A.B. DE C.V. REPORTS THEIR OPERATIONS WITH FINANCIAL DERIVATIVE INSTRUMENTS, COMPLEMENTARY TO THE 4TH 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 4TH QUARTER 2011 SOME HEDGE TRANSACTIONS WERE TRADED BY THE COMPANY AS FOLLOWS:

THE COMPANY UNWINDED THE COUPON HEDGE OF 65 MILLION THAT FORM PART OF THE 2019 BOND CONTRACTED WITH DEUTSCHE BANK AG AND RE CONTRACTED THE SAME HEDGE WITH CITIBANK BANAMEX, IN ORDER TO EXPLOIT THE AVAILABLE CREDIT LINE; THUS AVOIDING POSSIBLE FUTURE MARGIN CALLS.

ON THE OTHER HAND ENTERED INTO A CROSS CURRENCY SWAP WITH CREDIT SUISSE BANK TO HEDGE THE INTEREST OF THE FIRST YEAR OF THE SYNDICATED TERM LOAN (CLUB DEAL) DENOMINATED IN DOLLARS (FOUR QUARTERLY COUPONS ON A NOTIONAL OF 44 MILLION).

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.

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**DERIVATIVE FINANCIAL INSTRUMENTS**

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THE COMPANY HAS TWO MILLION DOLLARS POSTED AS COLLATERAL AS OF DECEMBER 31ST. 2011, MAINLY DUE TO THE APPRECIATION OF THE PESO AGAINST DE US DOLLAR. THESE MARGIN CALLS ARE HELD BY 2 COUNTERPARTIES (1.6 MILLION BY DEUTSCHE BANK AND 0.4 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

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 COMMITTEES 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

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# MEXICAN STOCK EXCHANGE

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**DERIVATIVE FINANCIAL INSTRUMENTS**

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COMPENSATION IS USED.

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

SOURCES OF LIQUIDITY.

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 DECEMBER 30TH, 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 4TH 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	18,655	17,631	15,000 USD
2 FX FWD STRIP CS	2,884,605	99,870	94,649	15,000 USD
3 FX FWD STRIP CS	2,479,600	51,211	48,397	15,000 USD
4 CCS FWD STRIP CS	614,113	(1,736)	N/A	15,000 USD
5 FX FWD STRIP CITI	928,575	7,951	7,383	7,000 USD
6 FX FWD STRIP CITI	861,250	7,553	N/A	7,000 USD
7 CROSS CURRENCY SWAP MS	327,250	(1,351)	(1,124)	0 USD
8 CROSS CURRENCY SWAP DB	1,320,200	(9,753)	(9,576)	3,000 USD
9 CROSS CURRENCY SWAP ML	657,575	(4,236)	(3,253)	7,000 USD
10CROSS CURRENCY SWAP ML	314,975	2,826	3,096	7,000 USD

ALL OPERATIONS DESCRIBED IN THE ABOVE TABLE ARE FOR HEDGING PURPOSES. THE REFERENCE VARIABLE FOR ALL TRANSACTIONS IS \$ 13.9904 FOR THE CURRENT QUARTER, AND 13.4217 FOR THE PREVIOUS QUARTER

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

## DERIVATIVE FINANCIAL INSTRUMENTS

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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	-	-
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 CREDIT SUISSE	614,113	-	31,074	-	-
5 CITIBANK-BANAMEX	928,575	-	39,790	79,579	79,579
6 CITIBANK-BANAMEX	861,250	82,865	82,865	82,865	82,865
7 MORGAN STANLEY	327,250	16,493	32,987	32,987	32,987
8 DEUTSCHE BANK	1,320,200	66,719	133,438	133,438	133,438
9 BOFA ML	657,575	33,150	66,300	66,300	66,300
10BOFA 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 CREDIT SUISSE	44,453	-	2,133	-	-
5 CITIBANK-BANAMEX	75,000	-	2,860	5,719	5,719
6 CITIBANK-BANAMEX	65,000	-	5,850	5,850	5,850
7 MORGAN STANLEY	25,000	1,125	2,250	2,250	2,250
8 DEUTSCHE BANK	100,000	4,500	9,000	9,000	9,000
9 BOFA ML	50,000	2,250	4,500	4,500	4,500
10BOFA ML	25,000	1,125	2,250	2,250	2,250

ADDITIONAL TO THE ABOVE INFORMATION, A LIABILITY OF \$3.55 IS REGISTERED TO RECOGNIZE THE EFFECT OF THE CONTRACT TERMS AND CLAUSES THAT HAVE EMBEDDED DERIVATIVE CHARACTERISTICS (EMBEDDED DERIVATIVE) WITHIN 4 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 DECEMBER 31ST, 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

# MEXICAN STOCK EXCHANGE

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

## DERIVATIVE FINANCIAL INSTRUMENTS

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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 4TH QUARTER (13.2909)

2) APRECIATION OF 10% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 4TH QUARTER (12.5914)

3) APRECIATION OF 15% IN THE PESO/DOLLAR EXCHANGE RATE AT THE END OF 4TH QUARTER (11.8918)

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	18,655	11,754	4,433	(2,888)
CREDIT SUISSE	SEMIANNUAL	12.82	99,870	61,470	20,172	(21,127)
CREDIT SUISSE	SEMIANNUAL	12.398	51,211	20,993	(4,739)	(30,470)
CREDIT SUISSE	QUARTERLY	13.8149	(1,736)	(3,693)	(5,133)	(6,574)
CITIBANK	SEMIANNUAL	12.381	7,951	(2,681)	(14,611)	(26,542)
CITIBANK	SEMIANNUAL	13.25	7,553	(3,140)	(12,790)	(22,439)
MORGAN STANLEY	SEMIANNUAL	13.09	(1,351)	(5,465)	(10,055)	(14,643)
DEUTSCHE BANK	SEMIANNUAL	13.202	(9,753)	(26,050)	(44,405)	(62,760)
BOFA ML	SEMIANNUAL	13.1515	(4,236)	(11,849)	(21,026)	(30,204)
BOFA ML	SEMIANNUAL	12.599	2,826	(1,106)	(5,695)	(10,283)
EMBEDDED DERIVATIVES			(3,533)	(165)	3,204	6,572
TOTAL			167,457	40,069	(90,645)	(221,358)

SUMMARY BY COUNTERPARTY:

COUNTERPARTY	5% APPRECIATION TC		
	MARKET VALUE	CREDIT LINE	MARGINING CALL
CREDIT SUISSE	90,525	199,363	-
CITIBANK	(5,821)	93,036	-
MORGAN STANLEY	(5,466)	-	5,466
DEUTSCHE BANK	(26,050)	-	26,049
BOFA ML	(12,955)	93,036	-
TOTAL	40,233	385,436	31,516

COUNTERPARTY	10% APPRECIATION TC		
	MARKET VALUE	CREDIT LINE	MARGINING CALL
CREDIT SUISSE	14,733	188,870	-
CITIBANK	(27,401)	88,140	-
MORGAN STANLEY	(10,054)	-	10,054

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## DERIVATIVE FINANCIAL INSTRUMENTS

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DEUTSCHE BANK	(44,405)	-	44,405
BOFA ML	(26,721)	88,140	-
TOTAL	(93,848)	365,149	54,459

COUNTERPARTY	15% APPRECIATION TC		MARGING CALL
	MARKET VALUE	CREDIT LINE	
CREDIT SUISSE	(61,059)	178,378	-
CITIBANK	(48,981)	83,243	-
MORGAN STANLEY	(14,643)	-	14,643
DEUTSCHE BANK	(62,760)	-	62,760
BOFA ML	(40,487)	83,243	-
TOTALES	(227,930)	344,863	77,403

**RESULTS PER SCENARIO:**

1) IN AN APPRECIATION IN THE EXCHANGE RATE OF 5% OR 13.2909 PESOS PER USD, THE MARGIN CALL WOULD BE 31.5 MILLION PESOS, OR 2.4 MILLION USD.

2) IN AN APPRECIATION IN THE EXCHANGE RATE OF 10% OR 12.5914 PESOS PER USD, THE MARGIN CALLS WOULD BE 54.4 MILLION PESOS OR 4.3 MILLION USD.

3) AND FINALLY TO AN APPRECIATION IN THE EXCHANGE RATE OF 15% TO 11.8918 PESOS PER USD, THE MARGIN CALLS WOULD BE 227.930 MILLION PESOS OR 6.5 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 DECEMBER 31, 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
CREDIT SUISSE	614,113	5.06	QUARTERLY	44,453	LIBOR + 400
CITIBANK-BANAMEX	928,575	8.57	SEMIANNUAL	75,000	7.6250
CITIBANK-BANAMEX	861,250	9.6215	SEMIANNUAL	65,000	9.00
MORGAN STANLEY	327,250	10.0800	SEMIANNUAL	25,000	9.00
DEUTSCHE BANK	1,320,200	10.107375	SEMIANNUAL	100,000	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
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## DERIVATIVE FINANCIAL INSTRUMENTS

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						OF MXP
CREDIT SUISSE	SEMESTRAL	11.05	13-DEC-10	01-FEB-12		18,655
CREDIT SUISSE	SEMESTRAL	12.8200	13-DEC-10	22-SEP-14		99,870
CREDIT SUISSE	SEMESTRAL	12.398	13-DEC-10	01-AGO-14		51,211
CREDIT SUISSE	TRIMESTRAL	13.8149	30-NOV-11	17-NOV-12		(1,736)
CITIBANK	SEMESTRAL	12.381	20-OCT-10	01-AUG-14		7,951
CITIBANK	SEMESTRAL	13.25	19-OCT-11	22-SEP-14		7,553
MORGAN STANLEY	SEMESTRAL	13.0900	14-OCT-09	22-SEP-14		(1,351)
DEUTSCHE BANK	SEMESTRAL	13.2020	11-NOV-09	22-SEP-14		(9,753)
BOFA ML	SEMESTRAL	13.1515	17-NOV-09	22-SEP-14		(4,236)
BOFA ML	SEMESTRAL	12.5990	11-MAR-10	22-SEP-14		2,826
DERIVADOS IMPLÍCITOS						(3,533)
				TOTAL		167,457

PRESENTATION OF THE FINANCIAL STATEMENTS:

ASSET ACCOUNT "DERIVATIVE INSTRUMENTS" (MARK TO MARKET): \$188,066 (SEE LINE S81 OF THE BALANCE SHEET).

LIABILITIE ACCOUNT "DERIVATIVE INSTRUMENTS" (MARK TO MARKET): \$20,609 (SEE LINE S88 OF THE BALANCE SHEET).

EQUITY ACCOUNT "ACCUMULATED EFFECT BY VALUATION OF DERIVATIVE INSTRUMENTS": \$22,231 (SEE LINE S97 OF THE BALANCE SHEET).

DEBIT TO THE COMPREHENSIVE FINANCIAL RESULT FOR "VARIATION OF THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS": \$3,208 (INCLUDED IN THE LINE R46 "OTHER FINANCIAL PRODUCTS" OF THE INCOME STATEMENTS).