Quarterly Financial Information

[105000] Management commentary

Management commentary [text block]

Axtel, S.A.B. de C.V. ("Axtel" or "the Company"), a Mexican Information and Communications Technology company, announced today its unaudited fourth quarter results ended December 31, 2016[(1)]. Axtel is a subsidiary of Alfa S.A.B. de C.V. ("ALFA").

For additional information, please contact Adrian de los Santos, Investor Relations Officer and Corporate Finance Director at ir@axtel.com.mx

Highlights:

v. Pro forma revenues declined 10% in 2016, as government segment revenues declined 37%. This government segment decline results from the reduction of federal government spending in 2016 and also from non-recurrent equipment sales and projects' revenues registered in 2015 and not replicated in 2016. However, Axtel's quarterly recurrent enterprise and government segment revenues have shown a positive trend in 2016, particularly from enterprise customers, providing encouraging prospects for 2017.

v. During the fourth quarter, Axtel continued executing the post-merger integration plan with positive results. At the end of the year, Axtel was able to achieve run-rate EBITDA synergies of approximately Ps. 1,000 million.

v. Axtel is pleased to participate in ALTÁN Redes, the consortium granted with the exclusive rights to exploit the 700 MHz band for the creation of a nationwide 4G wholesale network, also known as Red Compartida. This project enhances Axtel's mobility strategy and represents an opportunity for the Company to become a strategic supplier to Red Compartida.

Disclosure of nature of business [text block]

Axtel is a Mexican Information and Communication Technology Company that serves the enterprise, government and residential markets with a robust portfolio of solutions through its brand Alestra (enterprise and government services) and its brand Axtel (residential and small businesses services).

With a network infrastructure of over 40 thousand kilometers and more than 7 thousand square meters of data center, Axtel enables organizations to be more productive and brings people together to improve their quality of life.

As of February 15, 2016, Axtel is a subsidiary of Alfa, which owns 51% of its equity.

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

Axtel’s Investor Relations Center: www.axtelcorp.mx

Enterprise and Government services website: www.alestra.mx

Mass Market services website: www.axtel.mx

Disclosure of management's objectives and its strategies for meeting those objectives [text block]

The Company’s strategic goal is to make Axtel a leader in high speed broadband (largely as a result of the FTTH offered services) and in selected areas of ICT services, with differentiated services oriented to highvalue segments in the residential, business, corporate, financial and government areas. Consistent with this goal, six business strategies were identified: (1) focus on growth in high speed broadband (2) focus on ICT services with differentiated products, (3) gain market share in selected segments of high-value customers, (4) compete with quality of service differentiation, innovation and commercial creativity, (5) re-orient the culture towards greater productivity and profitability in the operation of assets and (6) improve operating efficiency.

As part of its implementation of the foregoing strategies, the Company has bundled multiple voice, television, data and internet services into integrated telecommunications solutions for businesses and highusage residential customers which has allowed the Company to obtain improved revenues per user and a higher profitability per unit invested in infrastructure.

The Company’s future growth is expected to come from new customer acquisitions in existing service areas and new customers resulting from the build-out incremental network capacity within our current markets and in selected new cities. The Company may also explore other growth opportunities through commercial agreements or strategic associations with one or more telephone, data, internet, satellite TV, cable and/or other value-added service providers in the future.

Disclosure of entity's most significant resources, risks and relationships [text block]

For more information on risks, see the Annual Report 2015. The risks described below should not be considered the only risks.

Information that differs from the real historic information that is included hereunder reflects the perspectives of the Company in relation to the events and may contain information about financial results, economic situations, trends and facts or assumptions that are uncertain. Likewise, the pro forma information does not necessarily reflect what it should have happened if the assumptions on which they are based would have happened. This *document also contains declarations on the future. Words such as "believing", "anticipate", "to plan", "expect", "intend", "goal", "estimate", "forecast", "predict", "should" and similar expressions intend to identify future consequences but they are not the only way to identify the above mentioned declarations. Forward looking statements involve risks and uncertainties inherent in them. We note that there are many factors that could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in forward-looking statements.*

We have a history of substantial losses and may incur further losses in the future.

We have incurred a cumulative net loss in previous periods, we have experienced declines in revenues and cash flow and have experienced liquidity constraints. We have adopted plans to address our liquidity position, including the asset divestiture and exchange offers. However, if in the future we incur losses or generate cash flows that are not sufficient to cover investments, interest payments and other costs and expenses, our business operations could be compromised and we could be forced to declare bankruptcy, liquidate or reorganize.

Our revenues, operating income and Adjusted EBITDA could decline

If revenues decrease or if margins are reverted in the future, our results of operations and financial condition could be materially adversely.

A higher leverage could limit our ability to expand and adversely affect our operating results.

The resulting increase in debt service costs could reduce the amount of cash which would otherwise be available to invest in the expansion of our business or to meet other obligations. Likewise, an increase in our leverage could reduce our access to new financing sources on favorable terms, and as a consequence, limit our growth and affect our operating results.

The Company may need additional financing.

The Company may require additional financing in the future to fund our operations. we operate in a highly regulated industry and we face the regulatory risk of having a Mexican governmental agency mandate increased capital expenditures or our incurrence of other expenses not currently contemplated. We cannot assure you that we will have sufficient resources to make such investments or cover potential expenses mandated by governmental agencies and that, if needed, any financing will be available in the future or on acceptable terms. In addition, our ability to incur additional indebtedness will be restricted by the terms of agreements currently in place or into which we may enter in the future

Adverse and volatile conditions in the Mexican and international credit markets, including higher interest rates, reduced liquidity or decreased interest from financial institutions in granting us credit, have in the past and may in the future increase our cost of borrowing or refinancing maturing indebtedness, with adverse consequences to our financial condition and results of operations. We cannot assure you that we will be able to refinance any indebtedness we may incur or otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

Our network growth strategy may fail to generate the revenues we anticipate.

The Company have invested in network and infrastructure and according to our projections we will have to make significant additional expenditures to maintain and upgrade our network and to increase our capacity and our business for the future. These expenditures, together with operating expenses, may affect our cash flow and profitability, particularly if the expenditures do not lead to additional revenue.

Our industry is characterized by rapid technological change, which could render our products obsolete and cause us to recognize an impairment charge to our assets.

Most of network and other system equipment used in the telecommunications industry have a limited life and must be replaced because of damage or competitive obsolescence. For example, increased demand for bandwidth-intensive services has required us to upgrade from fixed-wireless access technologies, including WiMAX, to fiber optic-based technologies like GPON. Such upgrades or migrations require significant capital expenditures and we cannot assure you that unforeseen technological evolutions will not render our services unpopular with customers or obsolete. To the extent our equipment or systems become obsolete; we may be required to recognize an impairment charge to such assets, which may have a material adverse effect on our business and results of operations.

The Company depend on certain important customers for a significant portion of our revenues.

The loss of an important customer could adversely affect our business, financial condition, revenues and results of operations.

The Company operate in a highly competitive environment, compete with providers that have greater financial resources than we do and experience significant rate pressure, all of which may negatively affect our operating margins and results of operations.

The telecommunications industry in Mexico is becoming more competitive. With the convergence of services, competition has intensified and we compete with established telecom companies such as Telmex, Alestra and Maxcom, with cable companies such as Megacable and Televisa Cable Companies (Cablemás, Cablevisión, Cablecom and TVI) and with mobile operators such as América Móvil, Iusacell and Telefónica Movistar.

We have experienced and expect to continue experiencing pricing pressures, primarily as a result of:

- focus by our competitors on increasing their market share;
- recent technological advances that permit substantial increases in the transmission capacity of both new and existing fiber optic networks, resulting in long distance overcapacity.
- greater participation of traditional fixed-line service providers;
- further penetration of cable television operators into certain of our markets;
- and the entrance of new competitors, such as AT&T.

Certain of our competitors, including Telmex, a subsidiary of América Móvil and the former state-owned telecommunications monopoly and dominant provider of local and other telecommunications services in Mexico, have significantly greater financial and other resources than those available to us.

Delays in the implementation and availability of new technologies or service access networks could adversely affect results of operations

Telecommunications companies constantly migrate to new technologies or access networks depending on the demand for services in the market, and the characteristics of the technological alternatives available and their cost and adaptability. Since 2010, Axtel has tested different optical fiber technologies, such as GPON last mile and Fiber Optic Modem (“FOM”), to provide converged telecommunications services to its customers. Deployment of these technologies is susceptible to delays and/or such technologies may fail to meet expected capacities, which would result in slower growth and adversely affect the results of operations of the Company. Additionally, if any of our suppliers for FTTH optical fiber or ICT services fails to provide such services or equipment, our ability to make the necessary deployments in order to have the penetration and coverage we seek would be adversely affected, which could adversely affect our results of operations.

We depend on key personnel; if they were to leave us, we might have an insufficient number of qualified employees.

We believe that our ability to implement our business strategy and our future success depends on the continuous employment of our executive management team. The executive management team has extensive experience in the industry and is vital in maintaining some of our major customer relationships as well as the proper operation of our assets. The loss of the technical knowledge, management and industry expertise of key employees could hinder the optimal execution of our business plan and could result in delays in launching new products, loss of customers and diversion of resources to the extent that such employees be replaced.

If we do not successfully maintain, upgrade and efficiently operate accounting, billing, customer service and management information systems, we may not be able to maintain and improve our operating efficiencies.

Sophisticated information and processing systems are vital to our operations and growth and our ability to monitor costs, render monthly invoices for services, process customer orders, provide customer service and achieve operating efficiencies. We have installed the accounting, information and processing systems that we deem necessary to provide services efficiently. However, there can be no assurance that we will be able to successfully operate and upgrade such systems or that these systems will continue to perform as expected. Any failure in our information and processing systems could impair our ability to collect payment from customers and respond satisfactorily to customer needs.

Our operations are dependent upon our ability to protect our network infrastructure.

Our operations are dependent upon our ability to protect our network infrastructure against damage from fire, earthquakes, hurricanes, floods, power loss, security breaches, software defects and similar events and to build networks that are not vulnerable to the effects of such events. The occurrence of a natural disaster or other unanticipated problems at our facilities or at the sites of our switches could cause interruptions in the services we provide. The failure of a switch would result in the interruption of service to the customers served by that switch until necessary repairs were made or replacement equipment was installed. Repairing or replacing damaged equipment may be costly. Any damage or failure that causes interruptions in our operations could have a material adverse effect on our business, financial condition and results of operations.

We depend on Telmex for interconnection, If in the future, Telmex ceases to be a preponderant agent and is permitted to charge us higher interconnection fees than are currently applicable under the LFTR, such development could have a material adverse effect on our business and results of operations.

Under the LFTR, as of August 14, 2014 and for so long as it remains a preponderant agent in the telecommunications sector, Telmex is prohibited from charging us interconnection fees for mobile and long distance calls terminating on its network and relatively low bill and keep rates will apply for fixed local calls terminating on its network. America Movil, the parent company of Telmex, has announced that it intends to divest assets as quickly as possible in order to reduce its market share of the overall Mexican telecoms market below 50% and avoid the asymmetric regulations that apply to dominant players in the industry. If Telmex ceases to be a preponderant agent and, accordingly, IFT ceases to regulate Telmex pricing, Telmex may charge us interconnection fees and/or bill and keep rates that are higher than are currently applicable under the LFTR, which could have a material adverse effect on our business, financial condition and results of operations.

We rely on Telmex to maintain our leased last-mile links.

We maintain a number of dedicated links and last-mile-access infrastructure under lease agreements with Telmex. If Telmex breaches the agreed contractual conditions, or an agreement is not renewed upon its expiration, and Telmex discontinues the provision of services before we are able to link these customers to our own network, there could be a material adverse effect on our operations, business, financial condition and results of operations.

Under Mexican law, our concessions could be expropriated or temporarily seized.

Pursuant to the LFTR enacted in August 2014, the public telecommunications networks are considered public domain and holders of concessions to install operate and develop public telecommunications networks are subject to the provisions of the LFTR and any other provision contained in the concession title. The LFTR provides, among other things, for the following:

- rights and obligations granted under the concessions to install, operate and develop public telecommunications networks may only be assigned with the prior authorization of IFT;
- neither the concession nor the rights thereunder or the related assets may be assigned, pledged, mortgaged or sold to any government or country;
- the Mexican government can request changes or seize the radio electric spectrum granted in the concession, in any of the following events: i) reasons relating to economic or public order, ii) national security, iii) introduction of new technologies, iv) to solve interference problems, v) to comply with international treaties, vi) to reorganize the frequency bands and vii) for the continuity of a public service; and
- the Mexican government may expropriate or temporarily seize the assets related to the concessions

Mexican law sets forth the process for indemnification for direct damages arising out of the expropriation or temporary seizure of the assets related to the concessions, except in the event of war. However, in the event of expropriation, we cannot assure you that the indemnification will equal the market value of the concessions and related assets or that we will receive such indemnification in a timely manner. Mexican law does not prohibit a grant of a security interest by the concessionaire to its creditors (except for security granted to a foreign government or country) in the concessions and the assets, provided that all procedural laws are complied with; however, if such security interest is enforced, the assignee must comply with legal provisions related to concessionaires, including, among others, the requirement to receive the authorization by the regulatory authority to be a holder of the concession.

We could lose or encounter unfavorable conditions and fees with respect to our concessions.

Under our concessions, we are subject to various financial and technical conditions imposed by IFT. We cannot assure you that we will continue to meet these conditions. Failure to meet or to obtain a waiver or modification of these conditions can result in a fine, loss of surety or termination of the concession. Furthermore, our concessions are of a fixed duration and are scheduled to expire between 2018 and 2026. We cannot assure you of our ability to renew our concessions nor of the terms of any such renewal. The renewal fee is determined at the time of renewal. A failure to renew or maintain our concessions could have a materially adverse effect on our business.

The regulatory authorities could require us to offer services in certain geographical areas where we may experience a lower operating margin.

The SCT has granted us the necessary permits to provide services in the entire Mexican territory. Some of our concessions require us to offer services in certain geographical areas where we do not currently provide services.. If needed in the future, we may request extensions from the SCT (or the IFT) in order to comply with the terms of some of our concessions. We may also be required to provide services in geographical areas where we may experience a low operating margin with respect to such services. If we do not obtain the necessary extensions when required, or if we are required to provide services in areas where we do not currently provide services or in geographical areas where we may experience a low operating margin with respect to such services, our results of operations and financial condition may be adversely affected.

We depend on revenues from certain highly competitive markets.

High-volume customers —like financial institutions, corporate customers and federal and state government entities— are among the most attractive niches in the telecommunications market. This niche is being pursued by a number of carriers, including Telmex, Alestra and Televisa's Bestel, that offer competitive telecommunications services solutions in order to gain these accounts. Losing some of these customers could lead to a significant loss of revenue and lower operating income.

We have experienced losses in the past in connection with derivative financial instruments.

We use derivative financial instruments to manage risk associated with interest rates and to hedge a portion of the interest payments. Our policy is not to enter into derivative transactions for speculative purposes; however, we may continue to enter into derivative financial instruments as an economic hedge against certain business risk, even if these instruments do not qualify for hedge accounting under IFRS. The mark to market accounting for derivative financial instruments is reflected in our income statement.

The technology we use may be made obsolete by the technology used by our competitors. Delays in the implementation and availability of services based on new technologies or access networks could adversely affect our results of operations.

Our fixed wireless system, fiber optic network, point-to-multipoint and point-to-point infrastructure may not be as efficient as technologies used in the future by our competition. We have relied heavily on the continued performance of wireless technology. Technological changes or advances in alternative technologies may adversely affect our competitive position and require us to reduce our prices, substantially increase capital expenditures and/or write down obsolete technology.

Telecommunications companies constantly migrate to new technologies or access networks depending on the market services demand and also on the particular characteristics of the technological alternatives that are available, its costs and their adaptability to the environment of the Company.

Starting in 2010, Axtel has focused significantly on several last mile fiber optics technologies like GPON and FOM in order to provide convergent telecommunication services to its clients. Nonetheless, these deployments may be susceptible to delays or not reaching its expected capabilities, resulting in a lower growth and as a consequence affecting adversely the operations results of the Company. Likewise, if any of our suppliers of optical fiber for FTTH or TIC services stops providing such equipment and services, or if it does not allow us to perform the necessary actions in order to assure the desired penetration and coverage, we may experience a negative impact on the Company's results.

A number of our residential and small and medium-sized enterprises are served using WiMAX-based Technology, which is capable of providing up to 2 Mbps. As other access technologies, such as FTTH, continue to evolve the lack of upgrades to WiMAX technology may adversely affect the competitiveness of Axtel's commercial offers to customers served with WiMAX. If Axtel is not able to migrate WiMAX customers to other technologies like FTTH, and if WiMAX-based customers demand services that cannot be provided, a significant disconnection of customers could occur which could adversely affect the operating results of the Company.

If our current churn rate increases our business could be negatively impacted.

The cost of acquiring a new customer is much higher than the cost of maintaining an existing customer. Accordingly, customer deactivations, or churn, could have a material negative impact on our operating income, even if we are able to obtain one new customer for each lost customer.

The Company has a major shareholder, Alfa, whose interests may not be aligned with those of Axtel or investors.

As of February 15, 2016, the Company is a subsidiary of Alfa. Alfa is a holding company that, through its subsidiaries including Axtel, operates in various industrial sectors. The interests of Alfa may be different from the interests of investors as holders of Shares in material aspects, among others, appointment of members of the board of directors, the appointment of the CEO and approval of mergers, acquisitions and other non-recurring transactions. In addition, Alfa and a group of shareholders holding approximately 42.5% of the capital stock of Axtel prior to the merger, entered into a shareholders' agreement for the purposes of regulating their relationship as shareholders of the Company as well as transfers of shares between Alfa and such shareholders. Such shareholders' agreement contains, among other provisions, rules for the appointment of members of the board, matters of qualified majority at shareholder meetings and preemptive rights.

Restrictive covenants in our debt agreements may restrict the manner in which we can operate our business.

The Syndicated facility signed on January 15, 2016 limits, among other things, our ability to:

- incur additional indebtedness;
- pay dividends or make distributions to our stockholders;
- create liens to secure indebtedness;
- make loans or investments;
- enter into transactions with our affiliates;
- sell or transfer assets;
- merge or consolidate with other companies;
- enter into new lines of business; and
- perform operations with financial derivative instruments

Some limitations include financial reasons. The Company may not have the ability to keep these reasons in the future.

Axtel operate in a highly regulated industry.

As public services providers, we are subject to extensive regulation. The operation of telecommunications systems in Mexico, including ours, is currently subject to laws and regulations administered by IFT, which have been recently amended and may be amended from time to time in the future. Regulatory changes in the future could subject us to different or additional legal liability and obligations, and could materially and adversely affect our business, operations, financial condition and prospects.

Decreases in market rates for telecommunication services could have a material adverse effect on our business, results of operation and our financial condition.

We expect the Mexican telecommunications market to continue to experience rate pressure, primarily as a result of:

- increased competition and focus by our competitors on increasing market share; and
- recent technological advances that permit substantial increases in the transmission capacity of both new and existing fiber optic networks resulting in long distance overcapacity.

Continued rate pressure could have a material adverse effect on our business, financial condition and operating results if we are unable to generate sufficient traffic and increased revenues to offset the impact of the decreased rates on our operating margin.

Fraud could increase our expenses.

The fraudulent use of telecommunications networks could impose a significant cost upon service providers, who must bear the cost of services provided to fraudulent users. We may suffer a loss of revenue as a result of fraudulent use and incur an additional cash cost due to our obligation to reimburse carriers for the cost of services provided to fraudulent users. Although technology has been developed to combat this fraudulent use and we have installed it in our network, this technology does not eliminate the impact of fraudulent use entirely. In addition, because we rely on other long distance carriers to terminate our calls on their networks, some of which do not have anti-fraud technology in their networks, we may be particularly exposed to this risk in our long distance service.

Weakness in the Mexican economy could adversely affect our business, financial condition and results of operations.

Our operations, results and financial condition are dependent partly on the level of economic activity in Mexico. Income in Mexico has a considerable dependence on oil, U.S. exports, remittances and commodities, and these variables and factors are beyond our control. External economic events could significantly affect Mexico’s general economy and cause sudden economic shocks like those experienced in 2009 when Mexico’s GDP declined 4.7%. Mexico’s volatile economy could significantly affect our business and results of operations.

Mexican federal governmental policies or regulations, as well as economic, political and social developments in Mexico, could adversely affect our business, financial condition, results of operations and prospects.

We are a Mexican sociedad anónima bursátil de capital variable and substantially all of our assets are located in Mexico. As a result, our business, financial condition, results of operations and prospects are subject to political, economic, legal and regulatory risks specific to Mexico. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. We cannot predict the impact that political conditions will have on the Mexican economy. Furthermore, our business, financial condition, results of operations and prospects may be affected by currency fluctuations, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. We cannot assure investors that changes in Mexican federal governmental policies will not adversely affect our business, financial condition, results of operations and prospects. We do not have and do not intend to obtain political risk insurance.

High interest rates in Mexico could increase our financing and operating costs.

Mexico has had historically high real and nominal interest rates. The interest rates on 28-day Mexican government treasury securities, CETES, averaged approximately 4.2%, 4.2%, 3.8% and 3.0% for 2011, 2012, 2013 and 2014, respectively and we cannot assure you that interest rates will remain at their current rates. Thus, if we are forced to incur Mexican Peso-denominated debt in the future, it may be at interest rates higher than the current rates.

A devaluation of Mexican currency could adversely affect our financial condition.

While our revenues are almost entirely denominated in Pesos, the substantial majority of our capital expenditures and 99% of our contracted debt as of December 31, 2014 is denominated in U.S. dollars. The value of the Mexican Peso has been subject to significant fluctuations with respect to the U.S. dollar in the past and may be subject to significant fluctuations in the future. In 2009 and 2010, the peso appreciated 3.7% and 5.7%, in 2011 depreciated into 11.7%, in 2012 it appreciated 7.5%, in 2013 it depreciated 0.5% and in 2014 it depreciated 11.2%. Further declines in the value of the peso may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or convert Pesos into U.S. dollars and other currencies and adversely affect our ability to meet our current U.S. dollar-denominated obligations and any other U.S. dollar-denominated obligations that we may incur in the future. While the Mexican federal government does not currently restrict the ability of Mexican or foreign persons or entities to convert Pesos into U.S. dollars or other currencies, the Mexican federal government could institute restrictive exchange control policies in the future.

Future issuances of Shares may result in a decrease of the market price of the CPOs.

Disclosure of results of operations and prospects [text block]

Note: Figures shown throughout the document include Alestra S. de R.L. de C.V. and its subsidiaries ("Alestra") as of February 15, 2016. However, in order to explain variations, reference is also made to pro forma figures, as if the merger had occurred at the beginning of each period.

Revenues

Enterprise

Quarterly revenues totaled Ps. 2,451 million, compared to Ps. 1,203 million in the same period in 2015, a 104% increase. On a pro forma basis, Enterprise revenues declined 6% compared to fourth quarter 2015 revenues of Ps. 2,616 million mainly due to a decline in *managed networks*.

Telecom revenues, on a pro forma basis, decreased 7%. *Voice* revenues decreased 10% due to declines in fix-to-mobile and toll-free (800s) revenues and a 51% decline in international traffic revenues explained by lower volume. *Data and Internet* revenues increased 14% due to strong demand for dedicated internet and private lines services from existing enterprise customers. In the fourth quarter of 2015, the Company recorded an extraordinary high level of equipment sales which offset the positive performance of recurring revenues in fourth quarter 2016.

IT revenues, on a pro forma basis, increased 2%, mainly due to a 46% increase in *hosting* and 25% in *cloud* services, partially mitigated by a 56% decline in *system integration* revenues.

Government

Government segment revenues amounted to Ps. 558 million in the fourth quarter of 2016, compared to Ps. 825 million in the same period in 2015, a 32% decrease. On a pro forma basis, revenues declined 48% compared to fourth quarter 2015 revenues of Ps. 1,069 million mainly due to a decline in Telecom *managed networks* and IT *system integration* revenues.

Telecom revenues, on a pro forma basis, declined 49%. *Voice revenues* declined 56% due to declines in fix-to-mobile and toll-free (800s) revenues. *Managed networks* declined 66% due to extraordinary levels of equipment sales in the fourth quarter of 2015.

IT revenues, on a pro forma basis, declined 47%. *System integration* revenues declined 70% also due to extraordinary revenues in the fourth quarter of 2015 related to equipment sales and *hosting* revenues declined 39%.

Mass Market

Quarterly revenues decreased 4%:

FTTx revenues totaled Ps. 520 million in the fourth quarter of 2016, compared to Ps. 437 million for same period in 2015, representing a 19% increase in line with a 19% increase in customers. Voice revenues increased 13% resulting from a 24% increase in monthly rent revenues mitigating a decline in fixed-to-mobile revenues. Internet and video revenues increased 15% and 28% respectively, mainly due to increases in internet and video subscribers.

Legacy technologies revenues amounted to Ps. 255 million in the fourth quarter of 2016, a 31% decrease compared the same period in 2015 explained by a 35% decline in customers.

Cost of revenues and Operating and Other expenses

Cost of Revenues. For the three month period ended December 31, 2016, the cost of revenues represented Ps. 791 million, a 2% or Ps. 13 million decline compared to the same period of year 2015. On a pro forma basis, costs declined 25% compared to Ps. 1,051 million in the year-earlier quarter, mainly due to a decline in *Telecom managed network* costs and *IT system integration* costs within the government segment, both in line with a lower level of revenues. *Mass market* costs increased 3% due to increases in FTTx video and internet costs.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the fourth quarter of 2016, the gross profit accounted for Ps. 2,993 million, 48% higher than the same period in year 2015. On a pro forma basis, gross profit declined 13% compared to Ps. 3,438 million in the fourth quarter 2015 mainly due to the decline in *Telecom* gross margin resulting from lower *voice* and *managed networks* revenues. The gross profit margin increased from 77% to 79% year-over-year resulting from improved *IT* segment margins and also from a lower proportion of revenues of both *IT* and *Telecom* segments within the revenue mix, which have lower margins.

Operating and other expenses. In the fourth quarter of year 2016, expenses totaled Ps. 2,083 million, 29% higher than the expenses recorded in the same period in 2015. On a pro forma basis, expenses decreased 6% compared to Ps. 2,218 million in the fourth quarter of 2015. The declines in personnel mitigated the increase in maintenance expenses which resulted from a larger number of customer-related maintenance contracts and the impact of the peso devaluation on the network maintenance contracts.

Merger expenses, EBITDA, Operating income (loss)

Merger and integration expenses. For the fourth quarter 2016 expenses related to the Axtel-Alestra merger totaled Ps. 278 million pesos. In the year-earlier quarter, merger-related expenses totaled Ps. 304 million. For the twelve month period ended December 31, 2016, merger expenses totaled Ps. 838 million, the most relevant being severance payments, a non-cash pension-related charge and consulting fees.

EBITDA. For the fourth quarter of 2016, EBITDA reached Ps. 910 million, a 119% increase from the same period in 2015. Pro forma EBITDA declined 25% compared to Ps. 1,220 million in the fourth quarter of 2015 summarized as the result of a 16% decline in revenues thus a 13% decline in gross profit and a higher expense to sales ratio. EBITDA margin decreased from 27.2% to 24.1%.

Operating income (loss). In the fourth quarter of 2016, operating loss totaled Ps. 264 million, compared to an operating loss of Ps. 226 million. On a pro forma basis, operating income decreased Ps. 570 million compared to an operating income of Ps. 306 million in the fourth quarter of 2015, mainly due to lower gross profit and an increase in depreciation, amortization and asset impairment in the 2016 period.

Comprehensive Financing Result

The comprehensive financing cost reached Ps. 1,268 million in the fourth quarter of 2016, compared to a cost of Ps. 375 million in the same period of 2015, or Ps. 435 million on a pro forma basis. The increase in comprehensive financing result is mostly explained by greater FX losses during the fourth quarter of 2016 compared to the fourth quarter of 2015 due to a 6% depreciation of the Mexican peso in the fourth quarter 2016 compared to a 1% depreciation in the same period of 2015.

Total Debt and Net Debt

Total Debt. At the end of the fourth quarter 2016, total debt increased Ps. 8,046 million in comparison with fourth quarter 2015, mostly explained by (i) a Ps. 14,863 million increase related to the new Syndicated Credit Facility which refinanced Ps. 12,053 million of 2017, 2019 and 2020 Notes, (ii) an increase of Ps. 3,621 million related to Alestra's debt and (iii) a Ps. 2,414 million non-cash increase caused by the 17% depreciation of the Mexican peso.

Cash. As of the end of the fourth quarter of 2016, the cash balance totaled Ps. 1,600 million, compared to Ps. 2,575 million or Ps. 3,404 million pro forma a year ago, and Ps. 906 million at the beginning of the quarter. The cash balance at the end of the quarter includes Ps. 153 million in restricted cash.

Capital Expenditures

In the fourth quarter of 2016, capital investments totaled Ps. 885 million, or $45 million, compared to pro forma Ps. 1,023 million, or $61 million, in the year-earlier quarter. Capex for the full year, on a pro forma basis, was oriented 55% to enterprise segment, 20% to the mass market segment and remaining 25% to network and maintenance.

Other important information

1. We are presenting financial information based on International Financial Reporting Standards (IFRS) in nominal pesos for the following periods:

- Consolidated income statement information for the three month periods ending on December 31, 2016 and 2015, and September 30, 2016; and twelve month period ending on December 31, 2016 and 2015, and

- Balance sheet information as of December 31, 2016 and 2015; and September 30, 2016.

2. 2015 and 2016 revenues (include Alestra as of February 15, 2016):

Million Pesos	**Q1 2015**	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Q2 2016**	**Q3 2016**	**Q4 2016**
ENTERPRISE	**928**	**1,013**	**1,099**	**1,203**	**1,631**	**2,272**	**2,431**	**2,451**
Telecom	908	992	1,076	1,163	1,512	2,051	2,209	2,207
IT	20	21	23	39	119	220	221	243
GOVERNMENT	**632**	**695**	**440**	**825**	**438**	**400**	**628**	**558**
Telecom	521	505	262	440	244	150	281	247
IT	111	190	178	385	194	250	347	311
MASS MARKET	**856**	**834**	**822**	**804**	**771**	**806**	**778**	**775**
FTTx	391	415	427	437	447	494	499	520
Legacy Technologies	465	419	394	367	324	313	279	255
TOTAL	**2,416**	**2,542**	**2,360**	**2,832**	**2,840**	**3,478**	**3,836**	**3,783**

3. Pro forma 2015 and 2016 revenues (include Alestra as of the beginning of each period):

Million Pesos	**Q1 2015**	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Q2 2016**	**Q3 2016**	**Q4 2016**
ENTERPRISE	**2,239**	**2,353**	**2,487**	**2,616**	**2,355**	**2,272**	**2,431**	**2,451**
Telecom	2,089	2,187	2,312	2,378	2,144	2,051	2,209	2,207
IT	151	166	175	238	212	220	221	243
GOVERNMENT	**710**	**828**	**677**	**1,069**	**495**	**400**	**628**	**558**
Telecom	565	542	312	485	259	150	281	247
IT	145	286	365	585	236	250	347	311
MASS MARKET	**856**	**834**	**822**	**804**	**771**	**806**	**778**	**775**
FTTx	391	415	427	437	447	494	499	520
Legacy Technologies	465	419	394	367	324	313	279	255
TOTAL	**3,805**	**4,015**	**3,986**	**4,489**	**3,620**	**3,478**	**3,836**	**3,783**

4. Mass market operating data:

En miles	**Q4 2016**	**Q3 2016**	**Q4 2015**
FTTX			
Customers	233	225	197
RGUs*	639	614	527
Lines in Service	*281*	*266*	*224*
Internet Subscribers	*234*	*225*	*195*
Video Subscribers	*124*	*123*	*109*
LEGACY TECHNOLOGIES			
Customers	207	241	317
RGUs*	393	445	579
Lines in Service	*226*	*263*	*344*
Internet Subscribers	*167*	*182*	*235*

* Revenue Generating Units, represent individual service subscriptions (line, broadband, video) which generate recurring revenues for the Company.

5. Costs 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.

6. Operating expenses are those incurred in connection with general and administrative matters, such as personnel, land and tower leases, sales and marketing, maintenance of our network and net other not recurrent expenses including merger and integration expenses.

7. EBITDA is defined as operating income (loss) plus depreciation and amortization, plus impairment of assets.

8. Net Debt to EBITDA ratio: Net debt translated into U.S. Dollars using the exchange rate of the end of the period divided by the respective LTM pro forma EBITDA translated into U.S. Dollars using the average exchange rate for each month.

9. Total debt includes accrued interests for each period. Net debt is calculated subtracting cash and equivalents, including non-current restricted cash, from total debt.

10. Other long-term liabilities: During 2016 and as part of the post-merger integration process, accounting policies were standardized including the provisioning of past-due receivables. In this respect and according to the Merger Transaction Agreement, a Ps. 984 million account payable in favor of ALFA was recorded in the fourth-quarter of 2016, mainly from past-due account receivables from government customers, originated in periods previous to 2016. The payment of this amount could be reduced upon future collection results and is subject to Axtel's financial conditions.

11. The number of outstanding paid Series B shares was 19,229,939,531 as of December 31, 2016, equivalent to 2,747,134,219 CPOs. On July 21, 2016, all former Series A shares were converted into Series B shares

Analyst Coverage: The analysts mentioned below currently cover Axtel S.A.B. de C.V.

- Bank of America-Merrill Lynch
- BBVA Bancomer
- BTG Pactual
- Casa de Bolsa Banorte Ixe, Grupo Financiero Banorte
- Credit Suisse Securities
- GBM Grupo Bursátil Mexicano
- Itaú BBA
- Scotiabank Inverlat
- Signum Research

Financial position, liquidity and capital resources [text block]

Financial Statements

Information as of December 31, 2016 compared with information as of December 31, 2015

Assets

As of December 31, 2016, total assets summed Ps. 32,167 million compared to Ps. 22,199 million as of December 31, 2015, an increase of Ps. 9,968 million, or 45%.

Cash and equivalents. As of December 31, 2016, we had cash and cash equivalents of Ps. 1,447 million compared to Ps. 2,575 million in the same date of year 2015, a 44% decline.

Accounts Receivable. As of December 31, 2016, the accounts receivable were Ps. 3,129 million compared with Ps. 2,455 million in the same date of 2015, an increase of Ps. 674 million or 27%.

Property, plant and equipment, net. As of December 31, 2016, the net of depreciation value of property, plant and equipment was Ps. 19,619 million compared with Ps. 13,216 million as of December 31, 2015, an increase of Ps. 6,403 million or 48%. The property, plant and equipment without adjusting for the accumulated depreciation, was Ps. 63,634 million and Ps. 43,657 million as of December 31, 2016 and December 31, 2015, respectively.

Liabilities

Total liabilities were Ps. 29,775 million as of December 31, 2016 compared to Ps. 18,326 million as of December 31, 2015, an increase of Ps. 11,450 million or 62% mainly driven by the inclusion of Alestra's debt and a non-cash increase in debt related to the 17% peso depreciation against the US dollar.

Accounts payable & accrued expenses. On December 31, 2016, the accounts payable and accrued expenses were Ps. 3,183 million compared with Ps. 2,677 million on December 31, 2015, an increase of Ps. 506 million or 19%.

Stockholders' Equity

On December 31, 2016, the stockholders' equity of the Company was Ps. 2,400 million compared with Ps. 3,873 million as of December 31, 2015, a decrease of Ps. 1,473 million, or 38%. The capital stock was Ps. 10,234 million as of December 31, 2016 compared to Ps. 6,862 million as of December 31, 2015, this increase is due to the merger between Axtel and Alestra in February 15, 2016.

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 will 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.

Cash Flow Statement

For the three month period ended December 31, 2016 compared with the three month period ended December 31, 2015

Net resources used by operating activities were Ps. 1,500 million for the three month period ended on December 31, 2016 compared to resources provided by operating activities of Ps. 701 million recorded in the same period of year 2015.

Net resources (used in) provided by investing activities were Ps. (825) million for the three month period ended on December 31, 2016 compared to Ps. (473) million recorded in the same period of year 2015. These flows primarily reflect investments in fixed assets of Ps. 885 million and Ps. 473 million, respectively.

Net resources (used in) provided by financing activities were Ps. (21) million for the three month periods ended on December 31, 2016 and Ps. (158) million for 2015.

As of December 31, 2016, the ratios of net debt to EBITDA and interest coverage of the company were 4.6x and 2.1x, respectively. As of December 31, 2015, the ratios of net debt to EBITDA and interest coverage, were 3.1x and 2.7x, respectively.

Internal control [text block]

The Company, through its administration area, has established adequate policies and procedures for internal control purposes in order to assure reasonable security; that all operations are carried out registered and informed in compliance with such policies established according to the regulations and criteria of IFRS. The Company considers that it’s leading technological information platform, along with its organizational structure, offer the tools and skills necessary to apply such policies and procedures correctly. Likewise, the Company has established and periodically applies internal auditing procedures to its different operational workflows.

The Company’s internal control is regulated by several policies and procedures that go from the delivery service the Company offers, to the goods and services procurement supply chain. The following are some of such policies.

- ***Expenses and Procurement Policies***. The objective of this policy is to assure that all costs or expenses incurred are in accordance with the Company’s interest and its strategies, being delegated its authorization at the executive level. This policy includes from the allocation of budget that contemplates the expenditure in some determined item, until the delivery of or the service to be acquired, passing through a series of filters such as: the selection of a determined supplier, payment term agreed upon, the mode of payment and its execution. The expense and investment budget is authorized in the corporate offices of the Company. The expense budget considers the way we request for authorization, as well as the executive disregarding the amount; it requires prior authorizations before the delivery of the request for a capital investment project (SOPI for its Spanish translation). Any project that is not within the original budget will have to be authorized by top level management of the Company.

- ***Accounting Accounts Policy.*** It contemplates the classification and description of the Catalogue of accounts, which include the classification by account number, and describes the use of each account which comprises the verification balance sheet, in accordance with the IFRS.

- ***Uncollectable Reserve Accounts Policy.*** The objective of this policy is to supervise the collection of the portfolio of accounts to acquire and to establish the provisions required accurately. This policy establishes the necessary requirements for the determination of the provision of uncollectable accounts, and informs the accounting records to be carried out by means of certain provisions and the tax treatment to be applied at the time of the cancellation of the uncollectable accounts.

- ***Investments and Cash Policy.*** This policy has the purpose of providing a guide and frame of action to the treasury of the company, in which the operation mechanics to follow are indicated, as well as in the instruments and terms to invest the excess cash available.

- ***Derivatives or SWAPS.*** Before entering into contracts to cover exchange risks, the Company evaluates the credit quality of its counterparts. The credit risk represents the accounting loss that would be reflected if the corresponding counterparts do not fulfill the agreed upon contract. The Company does not anticipate any breach on the part of its counterparts.

Disclosure of critical performance measures and indicators that management uses to evaluate entity's performance against stated objectives [text block]

	Q4	Q3	Q4	(%) 4Q16 vs.		LTM	LTM
Milllion Pesos	**2016**	**2016**	**2015**	**3Q16**	**4Q15**	**dic-16**	**dic-15**
Revenues	3,783	3,836	2,832	-1%	34%	13,937	10,150
EBITDA	910	1,265	416	-28%	>100%	3,673	3,208
EBITDA Margin	24.1%	33.0%	14.7%	- 891 bps	+ 936 bps	26.4%	31.6%
Net (loss) income	-1,055	-451	-604	>100%	-75%	-3,599	-1,732
Capital Expenditures	885	942	473	-6%	87%	4,065	2,011
Net Debt	20,095	19,693	11,074	2%	81%		
Net Debt / EBITDA	4.6x	4.2x	3.1x				

Sources of Revenues

				(%) 4Q16 vs.	
Million Pesos	**Q4 2016**	**Q3 2016**	**Q4 2015**	**Q3 2016**	**Q4 2015**
ENTERPRISE	2,451	2,431	1,203	1%	>100%
GOVERNMENT	558	628	825	-11%	-32%
MASS MARKET	775	778	804	0%	-4%
TOTAL	**3,783**	**3,836**	**2,832**	**-1%**	**34%**

Cash Flow Movements

Million Pesos	**Q4 2016**	**Q3 2016**	**Var. %**
EBITDA	910	1,265	(28)
Net working capital and others	614	(327)	n.a.
Investments and Acquisitions	(874)	(942)	(7)
Net financial expenses	(300)	(250)	20
Tax	(25)	(30)	(19)
Other sources and uses	(728)	(369)	97
Decrease (Increase) in Net Debt	(402)	(654)	(39)

[110000] General information about financial statements

Ticker:	AXTEL
Period covered by financial statements:	2016-01-01 TO 2016-12-31
Date of end of reporting period:	2016-12-31
Name of reporting entity or other means of identification:	AXTEL
Description of presentation currency:	MXN
Level of rounding used in financial statements:	THOUSANDS OF PESOS
Consolidated:	Yes
Number of quarter:	4D
Type of issuer:	ICS
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period:	
Description of nature of financial statements:	

Disclosure of general information about financial statements [text block]

Axtel, S. A. B. de C. V. and subsidiaries (“Axtel” or “the Company”) was incorporated in Mexico as a capital stock company. Axtel’s main office is located at Boulevard Díaz Ordaz km 3.33 L-1, Colonia Unidad San Pedro, 66215 San Pedro Garza García, Nuevo León, Mexico.

Axtel is a publicly owned corporation, whose shares are registered at the National Securities Registry and are traded at the Mexican Stock Exchange (the “Bolsa” from Spanish) through Certificates of Participation (“COPs”) issued under the Trust, whose trustee is Nacional Financiera, S. N. C., a subsidiary of Alfa, S. A. B. de C. V. (“ALFA”), direct controlling and last company of the Group , which exercises control and holds 50.19% through the Trust Administration Agreement No. 2673 entered into with Banco Invex, S. A. ALFA has control over the Company’s relevant activities.

The Company is engaged in installing, operating and/or exploiting a public telecommunications network for the provision of services involving conducting voice signals, sounds, data, internet, texts and images, IT, local as well as domestic and international long-distance telephone service and restricted television service. Concessions are required to provide these services and conducting the Company's business activities.

The consolidated financial statements of Axtel, S. A. B. de C. V. and subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS include International Accounting Standard (IAS) currently in effect, as well as all related interpretations issued by the IFRS Interpretations Committee (IFRS-IC), including those previously issued by the Standing Interpretations Committee (SIC).

Name service provider external audit [text block]

PricewaterhouseCoopers, S.C.

Name of the partner signing opinion [text block]

C.P.C. Ricardo Noriega Navarro

Type of opinion on the financial statements [text block]

Favorable

Date of opinion on the financial statements [text block]

February 21, 2017

Date assembly in which the financial statements were approved [text block]

March 10, 2017

Follow-up of analysis [text block]

Analyst Coverage: The analysts mentioned below currently cover Axtel S.A.B. de C.V.

- Bank of America-Merrill Lynch
- BBVA Bancomer
- BTG Pactual
- Casa de Bolsa Banorte Ixe, Grupo Financiero Banorte
- Credit Suisse Securities
- GBM Grupo Bursátil Mexicano
- Itaú BBA
- Scotiabank Inverlat
- Signum Research

[210000] Statement of financial position, current/non-current

Concept	Close Current Quarter 2016-12-31	Close Previous Exercise 2015-12-31
Statement of financial position [abstract]		
Assets [abstract]		
Current assets [abstract]		
Cash and cash equivalents	1,447,118,000	2,575,222,000
Trade and other current receivables	4,511,255,000	3,339,952,000
Current tax assets, current	73,026,000	19,824,000
Other current financial assets	152,978,000	378,099,000
Current inventories	109,388,000	53,069,000
Current biological assets	0	0
Other current non-financial assets	0	0
Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners	6,293,765,000	6,366,166,000
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	0	0
Total current assets	6,293,765,000	6,366,166,000
Non-current assets [abstract]		
Trade and other non-current receivables	8,642,000	128,613,000
Current tax assets, non-current	0	0
Non-current inventories	0	0
Non-current biological assets	0	0
Other non-current financial assets	154,747,000	0
Investments accounted for using equity method	0	0
Investments in subsidiaries, joint ventures and associates	0	8,212,000
Property, plant and equipment	19,619,451,000	13,216,179,000
Investment property	0	0
Goodwill	419,536,000	0
Intangible assets other than goodwill	1,419,191,000	124,994,000
Deferred tax assets	4,056,773,000	2,235,469,000
Other non-current non-financial assets	203,598,000	119,591,000
Total non-current assets	25,881,938,000	15,833,058,000
Total assets	32,175,703,000	22,199,224,000
Equity and liabilities [abstract]		
Liabilities [abstract]		
Current liabilities [abstract]		
Trade and other current payables	5,710,620,000	4,163,134,000
Current tax liabilities, current	17,357,000	182,604,000
Other current financial liabilities	1,028,589,000	1,050,864,000
Other current non-financial liabilities	940,063,000	247,443,000
Current provisions [abstract]		
Current provisions for employee benefits	0	0
Other current provisions	129,647,000	0
Total current provisions	129,647,000	0
Total current liabilities other than liabilities included in disposal groups classified as held for sale	7,826,276,000	5,644,045,000
Liabilities included in disposal groups classified as held for sale	0	0
Total current liabilities	7,826,276,000	5,644,045,000
Non-current liabilities [abstract]		
Trade and other non-current payables	985,975,000	112,340,000
Current tax liabilities, non-current	0	0
Other non-current financial liabilities	20,485,861,000	12,541,172,000

Concept	Close Current Quarter 2016-12-31	Close Previous Exercise 2015-12-31
Other non-current non-financial liabilities	0	0
Non-current provisions [abstract]		
Non-current provisions for employee benefits	467,036,000	28,231,000
Other non-current provisions	0	0
Total non-current provisions	467,036,000	28,231,000
Deferred tax liabilities	10,318,000	0
Total non-current liabilities	21,949,190,000	12,681,743,000
Total liabilities	29,775,466,000	18,325,788,000
Equity [abstract]		
Issued capital	10,233,841,000	6,861,986,000
Share premium	644,710,000	644,710,000
Treasury shares	0	0
Retained earnings	(8,436,311,000)	(3,628,287,000)
Other reserves	(42,008,000)	(4,973,000)
Total equity attributable to owners of parent	2,400,232,000	3,873,436,000
Non-controlling interests	5,000	0
Total equity	2,400,237,000	3,873,436,000
Total equity and liabilities	32,175,703,000	22,199,224,000

[310000] Statement of comprehensive income, profit or loss, by function of expense

Concept	Accumulated Current Year 2016-01-01 - 2016-12-31	Accumulated Previous Year 2015-01-01 - 2015-12-31	Quarter Current Year 2016-10-01 - 2016-12-31	Quarter Previous Year 2015-10-01 - 2015-12-31
Profit or loss [abstract]				
Profit (loss) [abstract]				
Revenue	13,937,320,000	10,150,438,000	3,783,301,000	2,831,927,000
Cost of sales	5,944,104,000	4,677,618,000	1,626,939,000	1,399,367,000
Gross profit	7,993,216,000	5,472,820,000	2,156,362,000	1,432,560,000
Distribution costs	0	0	0	0
Administrative expenses	7,364,867,000	4,980,456,000	2,110,090,000	1,330,963,000
Other income	0	96,919,000	0	0
Other expense	837,729,000	0	310,738,000	327,327,000
Profit (loss) from operating activities	(209,380,000)	589,283,000	(264,466,000)	(225,730,000)
Finance income	24,381,000	200,635,000	6,938,000	62,078,000
Finance costs	4,880,780,000	2,895,374,000	1,275,007,000	437,539,000
Share of profit (loss) of associates and joint ventures accounted for using equity method	(5,189,000)	(5,000)	(265,000)	(5,000)
Profit (loss) before tax	(5,070,968,000)	(2,105,461,000)	(1,532,800,000)	(601,196,000)
Tax income (expense)	(1,471,706,000)	(373,194,000)	(477,993,000)	2,469,000
Profit (loss) from continuing operations	(3,599,262,000)	(1,732,267,000)	(1,054,807,000)	(603,665,000)
Profit (loss) from discontinued operations	0	0	0	0
Profit (loss)	(3,599,262,000)	(1,732,267,000)	(1,054,807,000)	(603,665,000)
Profit (loss), attributable to [abstract]				
Profit (loss), attributable to owners of parent	(3,599,267,000)	(1,732,267,000)	(1,054,807,000)	(603,665,000)
Profit (loss), attributable to non-controlling interests	5,000	0	0	0
Earnings per share [text block]	-0.20	-0.19	-0.06	-0.06
Earnings per share [abstract]				
Earnings per share [line items]				
Basic earnings per share [abstract]				
Basic earnings (loss) per share from continuing operations	(0.2)	(0.19)	(0.06)	(0.06)
Basic earnings (loss) per share from discontinued operations	0	0	0	0
Total basic earnings (loss) per share	(0.2)	(0.19)	(0.06)	(0.06)
Diluted earnings per share [abstract]				
Diluted earnings (loss) per share from continuing operations	(0.2)	(0.19)	(0.06)	(0.06)
Diluted earnings (loss) per share from discontinued operations	0	0	0	0
Total diluted earnings (loss) per share	(0.2)	(0.19)	(0.06)	(0.06)

[410000] Statement of comprehensive income, OCI components presented net of tax

Concept	Accumulated Current Year 2016-01-01 - 2016-12-31	Accumulated Previous Year 2015-01-01 - 2015-12-31	Quarter Current Year 2016-10-01 - 2016-12-31	Quarter Previous Year 2015-10-01 - 2015-12-31
Statement of comprehensive income [abstract]				
Profit (loss)	(3,599,262,000)	(1,732,267,000)	(1,054,807,000)	(603,665,000)
Other comprehensive income [abstract]				
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax [abstract]				
Other comprehensive income, net of tax, gains (losses) from investments in equity instruments	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on revaluation	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on remeasurements of defined benefit plans	(17,617,000)	(1,182,000)	(17,617,000)	(1,182,000)
Other comprehensive income, net of tax, change in fair value of financial liability attributable to change in credit risk of liability	0	0	0	0
Other comprehensive income, net of tax, gains (losses) on hedging instruments that hedge investments in equity instruments	0	0	0	0
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss, net of tax	0	0	0	0
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	(17,617,000)	(1,182,000)	(17,617,000)	(1,182,000)
Components of other comprehensive income that will be reclassified to profit or loss, net of tax [abstract]				
Exchange differences on translation [abstract]				
Gains (losses) on exchange differences on translation, net of tax	10,189,000	0	2,975,000	0
Reclassification adjustments on exchange differences on translation, net of tax	0	0	0	0
Other comprehensive income, net of tax, exchange differences on translation	10,189,000	0	2,975,000	0
Available-for-sale financial assets [abstract]				
Gains (losses) on remeasuring available-for-sale financial assets, net of tax	0	0	0	0
Reclassification adjustments on available-for-sale financial assets, net of tax	0	0	0	0
Other comprehensive income, net of tax, available-for-sale financial assets	0	0	0	0
Cash flow hedges [abstract]				
Gains (losses) on cash flow hedges, net of tax	0	0	0	0
Reclassification adjustments on cash flow hedges, net of tax	0	0	0	0
Amounts removed from equity and included in carrying amount of non-financial asset (liability) whose acquisition or incurrence was hedged highly probable forecast transaction, net of tax	0	0	0	0
Other comprehensive income, net of tax, cash flow hedges	0	0	0	0
Hedges of net investment in foreign operations [abstract]				
Gains (losses) on hedges of net investments in foreign operations, net of tax	0	0	0	0
Reclassification adjustments on hedges of net investments in foreign operations, net of tax	0	0	0	0
Other comprehensive income, net of tax, hedges of net investments in foreign operations	0	0	0	0
Change in value of time value of options [abstract]				
Gains (losses) on change in value of time value of options, net of tax	0	0	0	0
Reclassification adjustments on change in value of time value of options, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of time value of options	0	0	0	0
Change in value of forward elements of forward contracts [abstract]				
Gains (losses) on change in value of forward elements of forward contracts, net of tax	0	0	0	0
Reclassification adjustments on change in value of forward elements of forward contracts, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of forward elements of forward	0	0	0	0

Concept	Accumulated Current Year 2016-01-01 - 2016-12-31	Accumulated Previous Year 2015-01-01 - 2015-12-31	Quarter Current Year 2016-10-01 - 2016-12-31	Quarter Previous Year 2015-10-01 - 2015-12-31
contracts				
Change in value of foreign currency basis spreads [abstract]				
Gains (losses) on change in value of foreign currency basis spreads, net of tax	0	0	0	0
Reclassification adjustments on change in value of foreign currency basis spreads, net of tax	0	0	0	0
Other comprehensive income, net of tax, change in value of foreign currency basis spreads	0	0	0	0
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss, net of tax	0	0	0	0
Total other comprehensive income that will be reclassified to profit or loss, net of tax	10,189,000	0	2,975,000	0
Total other comprehensive income	(7,428,000)	(1,182,000)	(14,642,000)	(1,182,000)
Total comprehensive income	(3,606,690,000)	(1,733,449,000)	(1,069,449,000)	(604,847,000)
Comprehensive income attributable to [abstract]				
Comprehensive income, attributable to owners of parent	(3,606,695,000)	(1,733,449,000)	(1,069,449,000)	(604,847,000)
Comprehensive income, attributable to non-controlling interests	5,000	0	0	0

[520000] Statement of cash flows, indirect method

Concept	Accumulated Current Year 2016-01-01 - 2016-12-31	Accumulated Previous Year 2015-01-01 - 2015-12-31
Statement of cash flows [abstract]		
Cash flows from (used in) operating activities [abstract]		
Profit (loss)	(3,599,262,000)	(1,732,267,000)
Adjustments to reconcile profit (loss) [abstract]		
Discontinued operations	0	0
Adjustments for income tax expense	(1,471,706,000)	(373,194,000)
Adjustments for finance costs	1,872,189,000	1,070,389,000
Adjustments for depreciation and amortisation expense	3,829,589,000	2,618,567,000
Adjustments for impairment loss (reversal of impairment loss) recognised in profit or loss	52,794,000	0
Adjustments for provisions	88,241,000	0
Adjustments for unrealised foreign exchange losses (gains)	2,778,680,000	1,659,066,000
Adjustments for share-based payments	0	0
Adjustments for fair value losses (gains)	0	0
Adjustments for undistributed profits of associates	0	0
Adjustments for losses (gains) on disposal of non-current assets	4,483,000	(256,467,000)
Participation in associates and joint ventures	5,189,000	5,000
Adjustments for decrease (increase) in inventories	(16,134,000)	14,028,000
Adjustments for decrease (increase) in trade accounts receivable	375,929,000	(601,597,000)
Adjustments for decrease (increase) in other operating receivables	105,557,000	190,912,000
Adjustments for increase (decrease) in trade accounts payable	(711,763,000)	288,469,000
Adjustments for increase (decrease) in other operating payables	587,149,000	161,718,000
Other adjustments for non-cash items	223,120,000	166,668,000
Other adjustments for which cash effects are investing or financing cash flow	7,415,000	0
Straight-line rent adjustment	0	0
Amortization of lease fees	0	0
Setting property values	0	0
Other adjustments to reconcile profit (loss)	0	0
Total adjustments to reconcile profit (loss)	7,730,732,000	4,938,564,000
Net cash flows from (used in) operations	4,131,470,000	3,206,297,000
Dividends paid	0	0
Dividends received	0	0
Interest paid	0	0
Interest received	0	0
Income taxes refund (paid)	233,816,000	85,964,000
Other inflows (outflows) of cash	0	0
Net cash flows from (used in) operating activities	3,897,654,000	3,120,333,000
Cash flows from (used in) investing activities [abstract]		
Cash flows from losing control of subsidiaries or other businesses	0	0
Cash flows used in obtaining control of subsidiaries or other businesses	0	0
Other cash receipts from sales of equity or debt instruments of other entities	0	0
Other cash payments to acquire equity or debt instruments of other entities	0	0
Other cash receipts from sales of interests in joint ventures	0	0
Other cash payments to acquire interests in joint ventures	0	0
Proceeds from sales of property, plant and equipment	(4,483,000)	129,823,000
Purchase of property, plant and equipment	3,100,473,000	2,011,430,000
Proceeds from sales of intangible assets	0	0
Purchase of intangible assets	960,034,000	0
Proceeds from sales of other long-term assets	0	0

Concept	Accumulated Current Year 2016-01-01 - 2016-12-31	Accumulated Previous Year 2015-01-01 - 2015-12-31
Purchase of other long-term assets	0	0
Proceeds from government grants	0	0
Cash advances and loans made to other parties	0	0
Cash receipts from repayment of advances and loans made to other parties	0	0
Cash payments for future contracts, forward contracts, option contracts and swap contracts	0	0
Cash receipts from future contracts, forward contracts, option contracts and swap contracts	0	0
Dividends received	0	0
Interest paid	0	0
Interest received	0	0
Income taxes refund (paid)	0	0
Other inflows (outflows) of cash	537,866,000	(43,811,000)
Net cash flows from (used in) investing activities	(3,527,124,000)	(1,925,418,000)
Cash flows from (used in) financing activities [abstract]		
Proceeds from changes in ownership interests in subsidiaries that do not result in loss of control	0	0
Payments from changes in ownership interests in subsidiaries that do not result in loss of control	0	0
Proceeds from issuing shares	0	0
Proceeds from issuing other equity instruments	0	0
Payments to acquire or redeem entity's shares	0	0
Payments of other equity instruments	0	0
Proceeds from borrowings	16,133,066,000	0
Repayments of borrowings	14,990,305,000	0
Payments of finance lease liabilities	431,061,000	399,611,000
Proceeds from government grants	0	0
Dividends paid	0	0
Interest paid	2,388,298,000	1,165,405,000
Income taxes refund (paid)	0	0
Other inflows (outflows) of cash	1,564,000	0
Net cash flows from (used in) financing activities	(1,675,034,000)	(1,565,016,000)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	(1,304,504,000)	(370,101,000)
Effect of exchange rate changes on cash and cash equivalents [abstract]		
Effect of exchange rate changes on cash and cash equivalents	176,400,000	247,488,000
Net increase (decrease) in cash and cash equivalents	(1,128,104,000)	(122,613,000)
Cash and cash equivalents at beginning of period	2,575,222,000	2,697,835,000
Cash and cash equivalents at end of period	1,447,118,000	2,575,222,000

[610000] Statement of changes in equity - Accumulated Current

Sheet 1 of 3	Components of equity [axis]								
	Issued capital [member]	Share premium [member]	Treasury shares [member]	Retained earnings [member]	Revaluation surplus [member]	Reserve of exchange differences on translation [member]	Reserve of cash flow hedges [member]	Reserve of gains and losses on hedging instruments that hedge investments in equity instruments [member]	Reserve of change in value of time value of options [member]
Statement of changes in equity [line items]									
Equity at beginning of period	6,861,986,000	644,710,000	0	(3,628,287,000)	0	0	0	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	(3,599,267,000)	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	10,189,000	0	0	0
Total comprehensive income	0	0	0	(3,599,267,000)	0	10,189,000	0	0	0
Issue of equity	3,371,855,000	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	(1,142,212,000)	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	(66,545,000)	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	3,371,855,000	0	0	(4,808,024,000)	0	10,189,000	0	0	0
Equity at end of period	10,233,841,000	644,710,000	0	(8,436,311,000)	0	10,189,000	0	0	0

Sheet 2 of 3	Components of equity [axis]								
	Reserve of change in value of forward elements of forward contracts [member]	Reserve of change in value of foreign currency basis spreads [member]	Reserve of gains and losses on remeasuring available-for-sale financial assets [member]	Reserve of share-based payments [member]	Reserve of remeasurements of defined benefit plans [member]	Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale [member]	Reserve of gains and losses from investments in equity instruments [member]	Reserve of change in fair value of financial liability attributable to change in credit risk of liability [member]	Reserve for catastrophe [member]
Statement of changes in equity [line items]									
Equity at beginning of period	0	0	0	0	(4,973,000)	0	0	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	(17,617,000)	0	0	0	0
Total comprehensive income	0	0	0	0	(17,617,000)	0	0	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	(29,607,000)	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	0	(47,224,000)	0	0	0	0
Equity at end of period	0	0	0	0	(52,197,000)	0	0	0	0

	Components of equity [axis]						
Sheet 3 of 3	Reserve for equalisation [member]	Reserve of discretionary participation features [member]	Other comprehensive income [member]	Other reserves [member]	Equity attributable to owners of parent [member]	Non-controlling interests [member]	Equity [member]
Statement of changes in equity [line items]							
Equity at beginning of period	0	0	0	(4,973,000)	3,873,436,000	0	3,873,436,000
Changes in equity [abstract]							
Comprehensive income [abstract]							
Profit (loss)	0	0	0	0	(3,599,267,000)	5,000	(3,599,262,000)
Other comprehensive income	0	0	0	(7,428,000)	(7,428,000)	0	(7,428,000)
Total comprehensive income	0	0	0	(7,428,000)	(3,606,695,000)	5,000	(3,606,690,000)
Issue of equity	0	0	0	0	3,371,855,000	0	3,371,855,000
Dividends recognised as distributions to owners	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	(1,142,212,000)	0	(1,142,212,000)
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	(29,607,000)	(96,152,000)	0	(96,152,000)
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	(37,035,000)	(1,473,204,000)	5,000	(1,473,199,000)
Equity at end of period	0	0	0	(42,008,000)	2,400,232,000	5,000	2,400,237,000

[610000] Statement of changes in equity - Accumulated Previous

Sheet 1 of 3	Components of equity [axis]								
	Issued capital [member]	Share premium [member]	Treasury shares [member]	Retained earnings [member]	Revaluation surplus [member]	Reserve of exchange differences on translation [member]	Reserve of cash flow hedges [member]	Reserve of gains and losses on hedging instruments that hedge investments in equity instruments [member]	Reserve of change in value of time value of options [member]
Statement of changes in equity [line items]									
Equity at beginning of period	6,728,342,000	644,710,000	0	(1,663,543,000)	0	0	0	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	(1,732,267,000)	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	(1,732,267,000)	0	0	0	0	0
Issue of equity	133,644,000	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	(232,477,000)	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	133,644,000	0	0	(1,964,744,000)	0	0	0	0	0
Equity at end of period	6,861,986,000	644,710,000	0	(3,628,287,000)	0	0	0	0	0

	Components of equity [axis]								
Sheet 2 of 3	Reserve of change in value of forward elements of forward contracts [member]	Reserve of change in value of foreign currency basis spreads [member]	Reserve of gains and losses on remeasuring available-for-sale financial assets [member]	Reserve of share-based payments [member]	Reserve of remeasurements of defined benefit plans [member]	Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale [member]	Reserve of gains and losses from investments in equity instruments [member]	Reserve of change in fair value of financial liability attributable to change in credit risk of liability [member]	Reserve for catastrophe [member]
Statement of changes in equity [line items]									
Equity at beginning of period	0	0	0	0	(3,791,000)	0	0	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	(1,182,000)	0	0	0	0
Total comprehensive income	0	0	0	0	(1,182,000)	0	0	0	0
Issue of equity	0	0	0	0	0	0	0	0	0
Dividends recognised as distributions to owners	0	0	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	0	(1,182,000)	0	0	0	0
Equity at end of period	0	0	0	0	(4,973,000)	0	0	0	0

Sheet 3 of 3	Components of equity [axis]						
	Reserve for equalisation [member]	Reserve of discretionary participation features [member]	Other comprehensive income [member]	Other reserves [member]	Equity attributable to owners of parent [member]	Non-controlling interests [member]	Equity [member]
Statement of changes in equity [line items]							
Equity at beginning of period	0	0	0	(3,791,000)	5,705,718,000	0	5,705,718,000
Changes in equity [abstract]							
Comprehensive income [abstract]							
Profit (loss)	0	0	0	0	(1,732,267,000)	0	(1,732,267,000)
Other comprehensive income	0	0	0	(1,182,000)	(1,182,000)	0	(1,182,000)
Total comprehensive income	0	0	0	(1,182,000)	(1,733,449,000)	0	(1,733,449,000)
Issue of equity	0	0	0	0	133,644,000	0	133,644,000
Dividends recognised as distributions to owners	0	0	0	0	0	0	0
Increase through other contributions by owners, equity	0	0	0	0	0	0	0
Decrease through other distributions to owners, equity	0	0	0	0	0	0	0
Increase (decrease) through other changes, equity	0	0	0	0	(232,477,000)	0	(232,477,000)
Increase (decrease) through treasury share transactions, equity	0	0	0	0	0	0	0
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	0	0	0	0	0	0	0
Increase (decrease) through share-based payment transactions, equity	0	0	0	0	0	0	0
Amount removed from reserve of cash flow hedges and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of time value of options and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of forward elements of forward contracts and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount removed from reserve of change in value of foreign currency basis spreads and included in initial cost or other carrying amount of non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Total increase (decrease) in equity	0	0	0	(1,182,000)	(1,832,282,000)	0	(1,832,282,000)
Equity at end of period	0	0	0	(4,973,000)	3,873,436,000	0	3,873,436,000

[700000] Informative data about the Statement of financial position

Concept	Close Current Quarter 2016-12-31	Close Previous Exercise 2015-12-31
Informative data of the Statement of Financial Position [abstract]		
Capital stock (nominal)	10,233,841,000	6,681,986,000
Restatement of capital stock	0	0
Plan assets for pensions and seniority premiums	467,036,000	28,231,000
Number of executives	248	168
Number of employees	6,393	5,792
Number of workers	943	1,041
Outstanding shares	19,229,939,531	9,456,140,156
Repurchased shares	0	0
Restricted cash	153,040,000	0
Guaranteed debt of associated companies	0	0

[700002] Informative data about the Income statement

Concept	Accumulated Current Year 2016-01-01 - 2016-12-31	Accumulated Previous Year 2015-01-01 - 2015-12-31	Quarter Current Year 2016-10-01 - 2016-12-31	Quarter Previous Year 2015-10-01 - 2015-12-31
Informative data of the Income Statement [abstract]				
Operating depreciation and amortization	3,829,589,000	2,618,567,000	1,070,239,000	642,017,000

[700003] Informative data - Income statement for 12 months

Concept	Current Year 2016-01-01 - 2016-12-31	Previous Year 2015-01-01 - 2015-12-31
Informative data - Income Statement for 12 months [abstract]		
Revenue	13,937,320,000	10,150,438,000
Profit (loss) from operating activities	(209,380,000)	589,283,000
Profit (loss)	(3,599,262,000)	(1,732,267,000)
Profit (loss), attributable to owners of parent	(3,599,267,000)	(1,732,267,000)
Operating depreciation and amortization	3,829,589,000	2,618,567,000

[800001] Breakdown of credits

Institution [axis]	Foreign institution (yes/no)	Contract signing date	Expiration date	Interest rate	Denomination [axis]											
					Domestic currency [member]						Foreign currency [member]					
					Time interval [axis]						Time interval [axis]					
					Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]	Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]
Banks [abstract]																
Foreign trade																
Bancomext	NO	2013-12-19	2017-01-17	L + 3.00 = 3.68								137,416,000	215,939,000	294,462,000	372,985,000	2,846,466,000
TOTAL	NO				0	0	0	0	0	0	0	137,416,000	215,939,000	294,462,000	372,985,000	2,846,466,000
Banks - secured																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Commercial banks																
BBVA Bancomer	NO	2016-10-05	2017-09-29	6.9		400,000,000										
Costos por emision	NO									(180,811,000)						
Citibank 2	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18						0				486,703,000	486,703,000	121,785,000
BBVA Bancomer 4	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										238,760,000	238,760,000	59,744,000
Banorte 3	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										238,760,000	238,760,000	59,744,000
JP Morgan 2	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										486,703,000	486,703,000	121,785,000
Santander 2	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										486,703,000	486,703,000	121,785,000
Bank of America	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										550,985,000	550,985,000	137,870,000
ING	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										550,985,000	550,985,000	137,870,000
Export Develpment Canada 2	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										358,140,000	358,140,000	89,616,000
Bank of Tokyo 2	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										312,225,000	312,225,000	78,126,000
Mizuho	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										367,323,000	367,323,000	91,913,000
Comerica	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										367,323,000	367,323,000	91,913,000
Sabadell 3	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										91,831,000	91,831,000	22,978,000
Monex 2	NO	2016-01-15	2021-01-15	L + 2.50 = 3.18										55,098,000	55,098,000	13,787,000
Citibank	NO	2016-01-15	2019-01-15	T + 2 = 6.60				404,959,000								
BBVA Bancomer 2	NO	2016-01-15	2019-01-15	T + 2 = 6.60				404,959,000								
Banorte	NO	2016-01-15	2019-01-15	T + 2 = 6.60				404,959,000								
JP Morgan	NO	2016-01-15	2019-01-15	T + 2 = 6.60				404,959,000								
Santander	NO	2016-01-15	2019-01-15	T + 2 = 6.60				404,959,000								
Export Develpment Canada	SI	2016-01-15	2019-01-15	T + 2 = 6.60				370,549,000								

Institution [axis]	Foreign institution (yes/no)	Contract signing date	Expiration date	Interest rate	Denomination [axis]											
					Domestic currency [member]						Foreign currency [member]					
					Time interval [axis]						Time interval [axis]					
					Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]	Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]
Bank of Tokyo	NO	2016-01-15	2019-01-15	T + 2 = 6.60				370,549,000								
HSBC	NO	2016-01-15	2019-01-15	T + 2 = 6.60				1,058,712,000								
Banc of Nova Scotia	NO	2016-01-15	2019-01-15	T + 2 = 6.60				247,033,000								
Sabadell	NO	2016-01-15	2019-01-15	T + 2 = 6.60				176,452,000								
Morgan Stanley	SI	2016-01-15	2019-01-15	T + 2 = 6.60				441,130,000								
Monex	NO	2016-01-15	2019-01-15	T + 2 = 6.60				70,581,000								
BBVA Bancomer 3	NO	2016-01-15	2021-01-15	T + 2.25 = 6.85				211,721,000	211,721,000	52,978,000						
Banorte 2	NO	2016-01-15	2021-01-15	T + 2.25 = 6.85				211,721,000	211,721,000	52,978,000						
Banc of Nova Scotia 2	NO	2016-01-15	2021-01-15	T + 2.25 = 6.85				203,880,000	203,880,000	51,016,000						
Sabadell 2	NO	2016-01-15	2021-01-15	T + 2.25 = 6.85				39,208,000	39,208,000	9,811,000						
TOTAL	NO				0	400,000,000	0	5,426,331,000	666,530,000	(14,028,000)	0	0	0	4,591,539,000	4,591,539,000	1,148,916,000
Other banks																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total banks																
TOTAL	NO				0	400,000,000	0	5,426,331,000	666,530,000	(14,028,000)	0	137,416,000	215,939,000	4,886,001,000	4,964,524,000	3,995,382,000
Stock market [abstract]																
Listed on stock exchange - unsecured																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Listed on stock exchange - secured																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Private placements - unsecured																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Private placements - secured																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total listed on stock exchanges and private placements																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Other current and non-current liabilities with cost [abstract]																
Other current and non-current liabilities with cost																
OTROS PASIVOS CON COSTO	NO					176,216,000	171,389,000	128,440,000	204,000	0	0	182,142,000	43,522,000	1,627,000		
TOTAL	NO				0	176,216,000	171,389,000	128,440,000	204,000	0	0	182,142,000	43,522,000	1,627,000	0	0
Total other current and non-current liabilities with cost																
TOTAL	NO				0	176,216,000	171,389,000	128,440,000	204,000	0	0	182,142,000	43,522,000	1,627,000	0	0
Suppliers [abstract]																
Suppliers																
PROVEEDORES VARIOS	NO					1,148,487,000						2,034,604,000				
TOTAL	NO				0	1,148,487,000	0	0	0	0	0	2,034,604,000	0	0	0	0

Institution [axis]	Foreign institution (yes/no)	Contract signing date	Expiration date	Interest rate	Denomination [axis]											
					Domestic currency [member]						Foreign currency [member]					
					Time interval [axis]						Time interval [axis]					
					Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]	Current year [member]	Until 1 year [member]	Until 2 years [member]	Until 3 years [member]	Until 4 years [member]	Until 5 years or more [member]
Total suppliers																
TOTAL	NO				0	1,148,487,000	0	0	0	0	0	2,034,604,000	0	0	0	0
Other current and non-current liabilities [abstract]																
Other current and non-current liabilities																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total other current and non-current liabilities																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total credits																
TOTAL	NO				0	1,724,703,000	171,389,000	5,554,771,000	666,734,000	(14,028,000)	0	2,354,162,000	259,461,000	4,887,628,000	4,964,524,000	3,995,382,000

[800003] Annex - Monetary foreign currency position

	Currencies [axis]				
	Dollars [member]	Dollar equivalent in pesos [member]	Other currencies equivalent in dollars [member]	Other currencies equivalent in pesos [member]	Total pesos [member]
Foreign currency position [abstract]					
Monetary assets [abstract]					
Current monetary assets	62,311,000	1,287,595,000	0	0	1,287,595,000
Non-current monetary assets	0	0	0	0	0
Total monetary assets	62,311,000	1,287,595,000	0	0	1,287,595,000
Liabilities position [abstract]					
Current liabilities	113,926,000	2,354,162,000	0	0	2,354,162,000
Non-current liabilities	682,684,000	14,106,992,000	0	0	14,106,992,000
Total liabilities	796,610,000	16,461,154,000	0	0	16,461,154,000
Net monetary assets (liabilities)	(734,299,000)	(15,173,559,000)	0	0	(15,173,559,000)

[800005] Annex - Distribution of income by product

	Income type [axis]			
	National income [member]	Export income [member]	Income of subsidiaries abroad [member]	Total income [member]
MASS MARKET				
FTTH	1,959,329,000	0	0	1,959,329,000
Wireless	1,170,251,000	0	0	1,170,251,000
Telecom				
Voice	2,594,145,000	71,884,000	0	2,666,029,000
Data and Internet	3,189,329,000	0	0	3,189,329,000
Managed Networks	3,046,778,000	0	0	3,046,778,000
IT				
IT	1,905,604,000	0	0	1,905,604,000
TOTAL	13,865,436,000	71,884,000	0	13,937,320,000

[800007] Annex - Financial derivate instruments

Management discussion about the policy uses of financial derivate instruments, explaining if these policies are allowed just for coverage or for other uses like trading [text block]

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 IFRS of the International 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 (IFRS), and then the most competitive is selected. All the operations must be authorized by the ALFA´s risk management committee.

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 4st quarter 2016 no hedge transactions were traded by the company, so at the end of the 4st quarter 2016 the company has no operations of derivative financial instruments outstanding.

Margin 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.

Procedures of internal control

Once the transaction is closed the counterparty sends 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 IFRS. Once these 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

At the date of this report, an independent third party has not been hired to review those procedures. However, the external auditors of the Company have reviewed and reported in each fiscal year, the compliance with internal controls.

General description about valuation techniques, standing out the instruments valuated at cost or fair value, just like methods and valuation techniques [text block]

The valuation of derivative instruments with hedging purposes is realized using its fair value method.

It should be noted that because such assessments are made above according to international standards IFRS, the market value registered by the company include counterparty risk, for that reason and in case the market value is in favor of Axtel (asset) this includes the CDS (Credit Default Swap)of the counterparty, and if the market value is in favor of the counterparty (liability) the record includes counterparty risk in the record Axtel (Z-spread).

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 IFRS. This technique allows the monitoring of the derivative instruments' performance and the likelihood that a particular derivative instrument could not be treated as a hedge instrument in the future.

Axtel prepares its own valuations, which is compared against the counterparty's valuation. If there is a significant difference, further clarification is requested.

In order to determine the effectiveness of the hedging, the method of periodic compensation is used.

At least once a year, the external auditors of the Company review the derivative instruments accounting records and validate their effectiveness in accordance with the IFRS.

Management discussion about intern and extern sources of liquidity that could be used for attending requirements related to financial derivate instruments [text block]

The Company does not currently have lines of credit for this type of instruments.

Changes and management explanation in principal risk exposures identified, as contingencies and events known by the administration that could affect future reports [text block]

As of December 31, 2016, the Company had no derivative instruments contracted:

Quantitative information for disclosure [text block]

No sensibility tests were performed due to there are no derivative financial instruments operations at the end of the 4st Quarter of 2016.

[800100] Notes - Subclassifications of assets, liabilities and equities

Concept	Close Current Quarter 2016-12-31	Close Previous Exercise 2015-12-31
Subclassifications of assets, liabilities and equities [abstract]		
Cash and cash equivalents [abstract]		
Cash [abstract]		
Cash on hand	0	0
Balances with banks	620,862,000	250,695,000
Total cash	620,862,000	250,695,000
Cash equivalents [abstract]		
Short-term deposits, classified as cash equivalents	826,256,000	2,324,527,000
Short-term investments, classified as cash equivalents	0	0
Other banking arrangements, classified as cash equivalents	0	0
Total cash equivalents	826,256,000	2,324,527,000
Other cash and cash equivalents	0	0
Total cash and cash equivalents	1,447,118,000	2,575,222,000
Trade and other current receivables [abstract]		
Current trade receivables	3,129,046,000	2,454,656,000
Current receivables due from related parties	20,949,000	0
Current prepayments [abstract]		
Current advances to suppliers	0	52,648,000
Current prepaid expenses	517,455,000	0
Total current prepayments	517,455,000	52,648,000
Current receivables from taxes other than income tax	680,381,000	577,438,000
Current value added tax receivables	680,381,000	577,438,000
Current receivables from sale of properties	0	0
Current receivables from rental of properties	0	0
Other current receivables	163,424,000	255,210,000
Total trade and other current receivables	4,511,255,000	3,339,952,000
Classes of current inventories [abstract]		
Current raw materials and current production supplies [abstract]		
Current raw materials	0	0
Current production supplies	0	0
Total current raw materials and current production supplies	0	0
Current merchandise	0	0
Current work in progress	0	0
Current finished goods	0	0
Current spare parts	0	0
Property intended for sale in ordinary course of business	0	0
Other current inventories	109,388,000	53,069,000
Total current inventories	109,388,000	53,069,000
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners [abstract]		
Non-current assets or disposal groups classified as held for sale	0	0
Non-current assets or disposal groups classified as held for distribution to owners	0	0
Total non-current assets or disposal groups classified as held for sale or as held for distribution to owners	0	0
Trade and other non-current receivables [abstract]		
Non-current trade receivables	0	0
Non-current receivables due from related parties	0	0
Non-current prepayments	0	0
Non-current lease prepayments	0	0
Non-current receivables from taxes other than income tax	0	0

Concept	Close Current Quarter 2016-12-31	Close Previous Exercise 2015-12-31
Non-current value added tax receivables	0	0
Non-current receivables from sale of properties	0	0
Non-current receivables from rental of properties	0	0
Revenue for billing	0	0
Other non-current receivables	8,642,000	128,613,000
Total trade and other non-current receivables	8,642,000	128,613,000
Investments in subsidiaries, joint ventures and associates [abstract]		
Investments in subsidiaries	0	0
Investments in joint ventures	0	0
Investments in associates	0	8,212,000
Total investments in subsidiaries, joint ventures and associates	0	8,212,000
Property, plant and equipment [abstract]		
Land and buildings [abstract]		
Land	481,905,000	167,331,000
Buildings	967,306,000	99,003,000
Total land and buildings	1,449,211,000	266,334,000
Machinery	0	0
Vehicles [abstract]		
Ships	0	0
Aircraft	0	0
Motor vehicles	43,514,000	34,631,000
Total vehicles	43,514,000	34,631,000
Fixtures and fittings	0	0
Office equipment	75,654,000	49,532,000
Tangible exploration and evaluation assets	0	0
Mining assets	0	0
Oil and gas assets	0	0
Construction in progress	2,019,783,000	1,118,284,000
Construction prepayments	0	0
Other property, plant and equipment	16,031,289,000	11,747,398,000
Total property, plant and equipment	19,619,451,000	13,216,179,000
Investment property [abstract]		
Investment property completed	0	0
Investment property under construction or development	0	0
Investment property prepayments	0	0
Total investment property	0	0
Intangible assets and goodwill [abstract]		
Intangible assets other than goodwill [abstract]		
Brand names	64,116,000	0
Intangible exploration and evaluation assets	0	0
Mastheads and publishing titles	0	0
Computer software	330,070,000	0
Licences and franchises	83,278,000	103,700,000
Copyrights, patents and other industrial property rights, service and operating rights	0	0
Recipes, formulae, models, designs and prototypes	0	0
Intangible assets under development	0	0
Other intangible assets	941,727,000	21,294,000
Total intangible assets other than goodwill	1,419,191,000	124,994,000
Goodwill	419,536,000	0
Total intangible assets and goodwill	1,838,727,000	124,994,000
Trade and other current payables [abstract]		
Current trade payables	3,183,091,000	2,676,819,000

Concept	Close Current Quarter 2016-12-31	Close Previous Exercise 2015-12-31
Current payables to related parties	680,546,000	0
Accruals and deferred income classified as current [abstract]		
Deferred income classified as current	1,022,605,000	509,415,000
Rent deferred income classified as current	0	0
Accruals classified as current	17,918,000	0
Short-term employee benefits accruals	17,918,000	0
Total accruals and deferred income classified as current	1,040,523,000	509,415,000
Current payables on social security and taxes other than income tax	806,460,000	976,900,000
Current value added tax payables	806,460,000	1,149,704,000
Current retention payables	0	0
Other current payables	0	0
Total trade and other current payables	5,710,620,000	4,163,134,000
Other current financial liabilities [abstract]		
Bank loans current	537,416,000	130,000,000
Stock market loans current	0	0
Other current iabilities at cost	358,358,000	375,656,000
Other current liabilities no cost	0	0
Other current financial liabilities	132,815,000	545,208,000
Total Other current financial liabilities	1,028,589,000	1,050,864,000
Trade and other non-current payables [abstract]		
Non-current trade payables	0	0
Non-current payables to related parties	985,975,000	0
Accruals and deferred income classified as non-current [abstract]		
Deferred income classified as non-current	0	0
Rent deferred income classified as non-current	0	0
Accruals classified as non-current	0	0
Total accruals and deferred income classified as non-current	0	0
Non-current payables on social security and taxes other than income tax	0	0
Non-current value added tax payables	0	0
Non-current retention payables	0	0
Other non-current payables	0	112,340,000
Total trade and other non-current payables	985,975,000	112,340,000
Other non-current financial liabilities [abstract]		
Bank loans non-current	20,140,679,000	0
Stock market loans non-current	0	11,930,215,000
Other non-current liabilities at cost	345,182,000	545,735,000
Other non-current liabilities no cost	0	65,222,000
Other non-current financial liabilities	0	0
Total Other non-current financial liabilities	20,485,861,000	12,541,172,000
Other provisions [abstract]		
Other non-current provisions	0	0
Other current provisions	129,647,000	0
Total other provisions	129,647,000	0
Other reserves [abstract]		
Revaluation surplus	0	0
Reserve of exchange differences on translation	0	0
Reserve of cash flow hedges	10,189,000	0
Reserve of gains and losses on hedging instruments that hedge investments in equity instruments	0	0
Reserve of change in value of time value of options	0	0
Reserve of change in value of forward elements of forward contracts	0	0
Reserve of change in value of foreign currency basis spreads	0	0
Reserve of gains and losses on remeasuring available-for-sale financial assets	0	0

Concept	Close Current Quarter 2016-12-31	Close Previous Exercise 2015-12-31
Reserve of share-based payments	0	0
Reserve of remeasurements of defined benefit plans	(52,197,000)	(4,973,000)
Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets or disposal groups held for sale	0	0
Reserve of gains and losses from investments in equity instruments	0	0
Reserve of change in fair value of financial liability attributable to change in credit risk of liability	0	0
Reserve for catastrophe	0	0
Reserve for equalisation	0	0
Reserve of discretionary participation features	0	0
Reserve of equity component of convertible instruments	0	0
Capital redemption reserve	0	0
Merger reserve	0	0
Statutory reserve	0	0
Other comprehensive income	0	0
Total other reserves	(42,008,000)	(4,973,000)
Net assets (liabilities) [abstract]		
Assets	32,175,703,000	22,199,224,000
Liabilities	29,775,466,000	18,325,788,000
Net assets (liabilities)	2,400,237,000	3,873,436,000
Net current assets (liabilities) [abstract]		
Current assets	6,293,765,000	6,366,166,000
Current liabilities	7,826,276,000	5,644,045,000
Net current assets (liabilities)	(1,532,511,000)	722,121,000

[800200] Notes - Analysis of income and expense

Concept	Accumulated Current Year 2016-01-01 - 2016-12-31	Accumulated Previous Year 2015-01-01 - 2015-12-31	Quarter Current Year 2016-10-01 - 2016-12-31	Quarter Previous Year 2015-10-01 - 2015-12-31
Analysis of income and expense [abstract]				
Revenue [abstract]				
Revenue from rendering of services	13,937,320,000	10,150,438,000	3,783,301,000	2,831,927,000
Revenue from sale of goods	0	0	0	0
Interest income	0	0	0	0
Royalty income	0	0	0	0
Dividend income	0	0	0	0
Rental income	0	0	0	0
Revenue from construction contracts	0	0	0	0
Other revenue	0	0	0	0
Total revenue	13,937,320,000	10,150,438,000	3,783,301,000	2,831,927,000
Finance income [abstract]				
Interest income	19,737,000	36,929,000	5,561,000	6,485,000
Net gain on foreign exchange	0	0	0	0
Gains on change in fair value of derivatives	0	0	0	0
Gain on change in fair value of financial instruments	0	0	0	0
Other finance income	4,644,000	163,706,000	1,377,000	55,593,000
Total finance income	24,381,000	200,635,000	6,938,000	62,078,000
Finance costs [abstract]				
Interest expense	1,877,763,000	1,236,308,000	326,527,000	315,378,000
Net loss on foreign exchange	2,778,679,000	1,659,066,000	907,628,000	122,161,000
Losses on change in fair value of derivatives	0	0	0	0
Loss on change in fair value of financial instruments	0	0	0	0
Other finance cost	224,338,000	0	40,852,000	0
Total finance costs	4,880,780,000	2,895,374,000	1,275,007,000	437,539,000
Tax income (expense)				
Current tax	85,159,000	61,305,000	(762,000)	(13,596,000)
Deferred tax	(1,556,865,000)	(434,499,000)	(477,231,000)	16,065,000
Total tax income (expense)	(1,471,706,000)	(373,194,000)	(477,993,000)	2,469,000

[800500] Notes - List of notes

Disclosure of notes and other explanatory information [text block]

General Information:

Axtel, S. A. B. de C. V. and subsidiaries (“Axtel” or “the Company”) was incorporated in Mexico as a capital stock company. Axtel’s main office is located at Boulevard Díaz Ordaz km 3.33 L-1, Colonia Unidad San Pedro, 66215 San Pedro Garza García, Nuevo León, Mexico.

Axtel is a publicly owned corporation, whose shares are registered at the National Securities Registry and are traded at the Mexican Stock Exchange (the “Bolsa” from Spanish) through Certificates of Participation (“COPs”) issued under the Trust, whose trustee is Nacional Financiera, S. N. C., a subsidiary of Alfa, S. A. B. de C. V. (“ALFA”), direct controlling and last company of the Group , which exercises control and holds 50.19% through the Trust Administration Agreement No. 2673 entered into with Banco Invex, S. A. ALFA has control over the Company’s relevant activities.

The Company is engaged in installing, operating and/or exploiting a public telecommunications network for the provision of services involving conducting voice signals, sounds, data, internet, texts and images, IT, local as well as domestic and international long-distance telephone service and restricted television service. Concessions are required to provide these services and conducting the Company's business activities.

Axtel conducts its activities through subsidiary companies of which it is the owner or of which it controls, either directly or indirectly, most of the common shares representing their capital stock. The term “the Company”, as used in this report, refers to Axtel and its subsidiaries in the aggregate.

In the notes to the financial statements, reference to pesos or “$ ” stands for thousands of Mexican pesos. The captions dollars or “US$ ” refer to thousands of U.S. dollars, unless otherwise specified.

Relevant events:

2016

a. Merger

On December 3, 2015, the Company, ALFA and Onexa, S. A. de C. V. (“Onexa”), a subsidiary of ALFA and a group of the main shareholders of Axtel signed a cooperation agreement, as well as an agreement among shareholders (“the Agreements”) to merge Onexa into Axtel. Onexa holds the capital stock of Alestra, S. de R. L. de C. V. (Alestra) and 100% direct subsidiary of ALFA.

On December 15, 2015, the Company published an informative brochure at the Mexican Stock Exchange, through which, it officially declared its intention to enter into an agreement for the merger of Onexa into Axtel.

On January 15, 2016, Axtel and Onexa held extraordinary shareholders’ meetings to approve the merger, designating the members of the Board of Directors, the CEO and the Audit and Corporate Practices Committees. After completing the process pertaining to the legal, operating and financial review, and obtaining authorizations from the authorities, the transaction became effective on February 15, 2016, when Alfa became Axtel’s majority shareholder, with the merged company disappearing and surviving company subsisting under its current business name Axtel, S. A. B. de C. V. As a result of the aforementioned merger, ALFA holds 50.19% of Axtel outstanding shares. According to the assessment of control conducted by Management, it was determined that the acquiring party was ALFA, due to which, goodwill arising from the merger and any other related effect were recorded in ALFA.

Onexa was a holding company whose only asset was its 99.98% interest in Alestra’s capital stock. In turn, Alestra is a lead supplier in the IT and telecommunications service market in Mexico. Alestra focuses on the business segment, including multinational companies, institutional customers, as well as small and medium companies. Through its extensive optic-fiber and data-center network, Alestra offers administrative network, IT, data and internet services, as well as local and international long-distance services. In recent years, Alestra has refocused its business strategy by concentrating on the segment pertaining to administrative networks and IT service such as data centers, cloud services, systems integration and network security.

Under the merger agreements, in exchange for 100% of Onexa voting shares, Axtel issued 9,668,965,488 shares for ALFA, at the rate of 0.8027 per Onexa share, acquiring 50.19% of the combined entity’s voting shares. The Agreements established a series of rights and obligations for the parties involved in terms of corporate governance and decision making, that granted ALFA the ability to direct activities related to the merged entity, mainly due to the fact that ALFA appoints most of the members of the Board of Directors and the main Directors who hold the power to direct the merged entity's relevant operations. Alestra's CEO, who prior to the transaction was a 100% subsidiary of ALFA, is the Company's CEO as from February 15, 2016.

As from the merger date, Alestra is a subsidiary of Axtel. It inclusion in the consolidated financial statements was not recognized as a business combination due to the fact that Alestra is controlled by ALFA both before and after the merger. Alestra's net book value was recognized using the predecessor method and no profit or loss was recognized in the statement of income as a result of the transaction.

The difference between the book value of Alestra net assets of $3,368,099 and the fair value of the issue of shares of $6,850,122 was recognized as an effect of the merger in the merger reserve of $3,482,023.

As part of the merger, on the date the transaction took effect, in a separate operation but related to the merger, and based on the Agreements, Alestra paid $809,793 as compensation for assuming certain obligations to do and not to do (confidentiality and abstaining from certain activities, among others), which has been recognized as an intangible asset.

The aforementioned Agreements included certain indemnity payments in the event of default by any of the parties, such as: a consequence of the lack of integrity, inaccuracy or falsehood, solely with respect to their own statements and/or failure to comply with their respective obligations. On the basis of the foregoing and in accordance with the obligations assumed under the aforementioned Agreements, an agreement was reached for ALFA to receive compensation from Axtel for the negative economic effects that resulted in the uncollectibility of certain accounts receivable of $983,747. See Notes 20 and 27. Said amount was recorded with a charge to capital, as it pertained to operations between the holding company, ALFA, and its subsidiary, Axtel, at the period close, the liability has been recorded in related parties in the Suppliers and other accounts payable line item.

As a result of the aforementioned merger agreements, the parties agreed to an adjustment to the fair value assigned to the issuance of shares to ALFA, related to the exchange rate of the Mexican peso to the U.S. Dollar, as published in the Official Gazette. In said agreement expiring on July 14, 2017, ALFA is required to pay a minimum US$0 and up to US$65 million, in the event the average exchange rate is between $16 and $14.50 pesos or less to the U.S. dollar up to the date of expiration. Otherwise, ALFA would receive between 0% and 2.50% additional shareholding interest in Axtel, with a maximum cap of up to 53.5%, if said exchange rate were between $17.01 and $18.50 pesos or more to the U.S. dollar. In accordance with IFRS (IAS 32), this agreement represents a financial liability to be liquidated with own shares presented in the short term in the Suppliers and other accounts payable line item. At December 31, 2016, Axtel has applied $246,396, corresponding to the value of the instrument, to retained earnings. Upon exercising this instrument, at maturity, the conversion will result in a variable number of shares, increasing the capital stock and canceling the corresponding liability.

As a result of the merger, the Company incurred a number of expenses totaling $835,200, which it classified as merger expenses in the other operating expenses line item.

Income contributed for Alestra assets included in the consolidated statement of income from the effective acquisition date at December 31, 2016 amounted to $5,889,266 and a net profit of $228,812. Had the acquisition taken place on January 1, 2016, income would have increased by $780,759 and net income would have decreased by approximately $91,383.

b. Borrowings

As a result of the above-mentioned transaction, the Company conducted the following operations:

i. On January 15, 2016, the Company signed a loan of US$500,000 and $4,759,000 to refinance all of the senior notes expiring on 2017, 2018 and 2020. Redemption took effect on February 19, 2016. The entire new loan expires in January 2019 for the portion in pesos and quarterly payments to the capital as from April 2018 and up to February 2021 for the dollar portion, at the interbank interest rate (TIIE from Spanish) for the portion in pesos, plus 2% in the first year, TIIE plus 2.25% in the second and TIIE plus 2.5% in the third and an initial interest rate for the dollar portion at the Libor, plus 2.25%, to be increased up to the Libor plus 3.25%. Management analyzed the effects of this operation and determined it had acquired a new debt.

During April 2016, the Company obtained an additional portion of said loan, for $1,500 million, to refinance the debt maturing in the short term. This portion matures at 5 years, quarterly payments on the capital as from 2018 at the TIIE + 2.25%, to be increased to the TIIE + 2.75%.

In order to obtain these resources, expenses were incurred in the amount of $270,168, of which, during 2016, $98,108 has been recognized as part of the effective interest expense related to the new debt. Moreover, in 2016, the Company exercised its option for prepayment and incurred a penalty for early cancellation of $758,064, which was recognized as part of the interest expense on financing. The Company charged a net total $83,527 to income for the year, corresponding to costs, discounts and premiums on the original debt.

On January 31, 2013, the Company completed an exchange of unsecured bonds maturing in 2017 and 2019, for bonds and a secured convertible bond, respectively, maturing in 2020, plus a payment in cash to the participating holders. The holders of the convertible bonds could opt to convert the notes in American Depository Shares ("ADSs") or in Certificate of participation (COPs). An embedded derivative was recorded, arising from the conversion option. Said derivative of $71,318 was extinguished at the date of prepayment of the debt and was applied to financial income for the period.

2015

c. Dispute resolution

During 2015, the Company entered into a number of agreements related to disputes with other telephone service operators, as follows:

- On March 18, 2015, the Company signed a transaction agreement with América Móvil, S. A. B. de C. V., ("AMX") and its affiliate Radiomóvil Dipsa S. A. de C. V. ("Telcel"), whereby it was agreed to terminate a number of disputes related to interconnection services. As part of the agreement, the Company and Telcel entered into an interconnection agreement for the period from 2005 to 2015. Moreover, the Company, Telcel and Teléfonos de México S. A. B. de C. V. ("Telmex") agreed to voluntarily dismiss a number of disputes involving interconnection matters.

  As a result of the agreements and after settling, for and against, the different amounts in dispute and/or pending payment, the Company entered into agreements to market and resell telecommunications services and for shared access and use of idle infrastructure with Telcel and Telmex, respectively.

- In another act that took place that same day, the Company and companies pertaining to the Iusacell Group ("Iusacell") signed an agreement whereby both parties end the disputes related to interconnection services for the 2005-2010 period. During said act, the Company and Iusacell signed a number of commercial agreements involving telecommunications infrastructure for their mutual benefit.

- Lastly, on May 27, 2015, the Company signed an agreement with Pegaso PCS, S. A. de C. V. ("Telefónica México"), whereby both parties terminate the disputes related to interconnection services for the period from 2005 to 2011.

As a result of the above agreements and having settled, for and against, the different amounts in dispute and/or pending payment, the Company obtained net income in cash of $534,240, shown in the statement of income in the Cost of sales line item.

The Company has corrected its consolidated financial statements at December 31, 2015, due to an immaterial correction in the determination of the provision for impairment of trade receivables, which was determined inaccurately. Management conducted an evaluation under IAS 8 "Accounting policies, changes in accounting estimates and errors", concluding that qualitatively and quantitatively, the effect is not material for the Company to reissue its historical information and therefore, decided to correct the figures following the revised model.

Following are the comparative figures in the financial statements at December 31, 2015 pertaining to the revision described in the above paragraph:

	Previously reported	Revised balance
Statement of financial position		
Accounts receivable, net	$ 2,893,017	$ 2,454,656
Value added tax and other taxes payable	(642,530)	(582,066)
Deferred income tax, net	2,103,961	2,235,469
Retained earnings and other reserves	(3,476,871)	(3,723,260)
Statement of income		
Administrative and selling expenses	($ 4,960,582)	($ 4,980,456)
Deferred tax	428,537	434,499

Consolidated net loss	(1,718,355)	(1,732,267)
Consolidated statement of comprehensive income		
Comprehensive loss	($ 1,719,537)	($ 1,733,449)
Statement of cash flows		
Cash flows provided by operating activities		
Loss before taxes on income	($ 2,085,587)	($ 2,105,461)
Increase in trade receivables and other accounts receivable	(430,559)	(410,685)

Additionally, the following notes to the consolidated financial statements were modified for the aforementioned review.

Disclosure of accounting judgements and estimates [text block]

Estimates and judgments are reviewed on a regular basis and are based on historical experience and other factors, including expectation of future events considered reasonable under the circumstances.

Long-lived assets

Estimates and assumptions indicating a significant risk of giving rise to a material adjustment to the book values of assets and liabilities within the following financial year are as follows:

Useful lives of property, systems and equipment

The Company reviews the estimated useful lives of property, systems and equipment at the end of every annual period. The level of uncertainty in connection with the estimated useful life is related to market changes and the use of assets of service volumes and technological development.

Allowance for impairment of goodwill

Identification and measurement of impairment of goodwill involves an estimate of fair values. These estimates and assumptions could have a significant impact on the decision to recognize or not an impairment charge and also on the magnitude of said charge. The Company conducts a valuation analysis with third-party assistance and considers relevant internal information, as well as other public market information.

Estimates of fair value are mainly determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions, including projected cash flows (including terms), discount rates that reflect the risk inherent to future cash flows, perpetual growth rates, determination of proper market comparables and the determination of whether or not a premium or discount should be applied to the comparables. There is a certain level of risk inherent to the estimates and assumptions that the Company believes to have considered in its valuations. However, if the current/future results differ from those estimated, a possible impairment charge can be recognized in future periods in connection with the decrease in the book value of goodwill, aside from the amounts previously recognized.

Taxes on income

The charge corresponding to income taxes is the total sum of the currently-payable and deferred tax charges and credits. One important judgment is required in the determination of the global provision for income taxes. There are many transactions and calculations due to which the final tax determination is uncertain. The Company recognizes liabilities related to the early tax audit, based on estimates as to whether or not additional taxes will be paid. Because the final tax result for these purposes differs from the amounts initially recognized, said differences will impact both currently-payable and deferred income tax assets and liabilities in the period in which the determination was carried out.

As part of the processes for preparation of these financial statements, the Company is required to calculate its taxes on income. This process involves estimating the current exposure to currently-payable taxes, aside from evaluating the temporary differences resulting from according the items differently, such as impairment of accounts receivable from customers, deferred assets, inventories, property, plant and equipment, accumulated expenses and unamortized tax losses, for tax and book effects.

These differences result in deferred tax assets and liabilities included in the statement of financial position. The Company then evaluates the probability of its deferred tax assets being recovered. The Company recognizes deferred tax assets for all deductible temporary differences, to the extent the entity is likely to dispose of future tax benefits against which to apply these deductible temporary differences. The most recent projections of available earnings are used to determine future tax benefits.

Commitments and contingencies

The Company exercises its judgment in measuring and recognizing provisions and the exposures to contingent liabilities related to pending litigation or other pending claims subject to negotiation for liquidation, mediation, arbitrage or government regulation, as well as other contingent liabilities. The Company applies its judgment to evaluate the probability that a pending claim is effective, or results in recognition of a liability, and to quantify the possible range of the liquidation. Due to the uncertainty inherent to this evaluation process, actual losses could differ from the provision originally estimated.

Contingencies are recorded as provisions when a liability has probably been incurred and the amount of the loss can be reasonably estimated. It is not practical to conduct an estimate regarding the sensitivity to potential losses, of all other assumptions have been made to record these provisions, due to the number of underlying assumptions and to the range of reasonable results possible, in connection with the potential actions of third parties, such as regulators, both in terms of probability of loss and estimates of said loss.

Disclosure of associates [text block]

During 2016, the only associated company was Conectividad Inalámbrica 7 GHz, S. de R. L. de C. V. (“Conectividad Inalámbrica”), which was liquidated during the period.

Disclosure of authorisation of financial statements [text block]

The accompanying consolidated financial statements and notes thereto were authorized for issuance on February 21, 2017 by the undersigned officers.

Disclosure of basis of consolidation [text block]

Subsidiaries

Subsidiaries are all entities over which the Company exercises control. The Company controls an entity when it is exposed or is entitled to variable yields arising from an interest in the entity and is capable of affecting yields through its power over the entity. When the Company's interest in the subsidiaries is under 100%, the interest attributed to the external shareholders is reflected as non-controlling interest.

At December 31, 2016 and 2015, there are no restrictions in the subsidiaries over the Company's capability to use the assets or liquidate the liabilities.

Balances and operations between group companies have been eliminated in preparing the consolidated financial statements.

Disclosure of business combinations [text block]

See in relevant events in the section "Disclosure of notes, statements of compliance with IFRS and other explanatory information of the entity" related to the merger of Axtel and Onexa.

Disclosure of cash and cash equivalents [text block]

Cash and cash equivalents shown in the statement of financial position are mainly comprised of cash funds, bank deposits and short-term investments, all highly liquid and subject to immaterial risks related to change in value. Following is the breakdown of said balances:

	December 31,	
	2016	2015
Cash on hand and banks	$ 620,862	$ 250,695
Short-term investments	826,256	2,324,527
Total cash and cash equivalents	$ 1,447,118	$ 2,575,222

The credit quality of cash and cash equivalents has been evaluated using external credit ratings as reference:

	December 31,	
	2016	2015
AAA	$ 825,616	$ 2,535,664
A-2	621,502	39,558
	$ 1,447,118	$ 2,575,222

Disclosure of cash flow statement [text block]

Investment operations not requiring the use of cash flows:		
Issuance of shares, indemnification, financial liability arising from		
merger and transfer of capital reserves	2016	2015
Conversion of bonds	$ 36,094	$ 133,644
Capital leasing	$ 174,201	$ 647,734

Disclosure of changes in accounting policies [text block]

Changes in accounting policies and disclosures

i. New standards and changes adopted by the Company.

The following standards and modifications have been adopted by the Company for the first time for the period started on January 1, 2016:

- Clarification of acceptable depreciation and amortization methods - Revisions of IAS 16 and IAS 38.
- Annual revisions of cycle 2012 - 2014 IFRS
- Initiative of disclosures - Amendments to IAS 1.

Adoption of these amendments has had no impact in the current period or any preceding period and is unlikely to affect any future periods.

ii. New standards and interpretations yet to be adopted by the Company.

A number of new standards, amendments and interpretations thereof have been published, and are not effective for reporting periods at December 31, 2016, and have not been adopted in advance by the Company.

Following is the Company's evaluation of the effects of these new standards and interpretations:

IFRS 9 "Financial instruments". This standard addresses classification, measurement and recognition of financial assets and liabilities and introduces new hedge accounting rules. In July 2014, the IASB made additional changes to classification and measurement rules and introduced a new impairment model. These latest changes now make up the overall new financial instrument regulation. The new hedge accounting rules require that a company's hedge accounting be in line with risk management thereof. As a general rule, hedge accounting is easier to apply, as the standard introduces a principles-based approach. The new standard also introduces extensive disclosure requirements and presentation changes, which continue to be evaluated by the Company. The new impairment model is a model of expected loan losses, which would therefore result in early recognition of credit losses. The Company will continue assessing the impact of adopting this standard. This standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is allowed.

In May 2014, the IASB issued IFRS 15 "Revenue from contracts with customers" ("IFRS 15"). Under IFRS 15, an entity recognizes revenue as evidence of the transfer of goods or services promised to customers, for an amount that reflects the compensation that the entity expects to earn in exchange, following the five-step model: Step 1: identifying the contract(s) with the customer, reflected under agreements between two or more parties that create rights and obligations payable; Step 2: identifying the deliverables set down in the contract, considering the fact that if a contract includes promises, they

are different deliverables and must be recorded separately; Step 3: determining the transaction price, representing by the amount established in the contract that the company expects in return for the transfer of goods and services promised to the customer; Step 4: distributing the price of the transaction to the deliverables under the contract, on the basis of the selling price related individually considered for each of the goods or for each service promised in the contract; and Step 5: recognizing revenue when (to the extent that) the entity satisfies the deliverables, through the transfer to the customer of the promised goods and services (when the customer obtains control of the goods or services). A deliverable can be satisfied at the point in time (commonly in promises to deliver goods to the customer) or during a period of time (commonly in promises to provide services to the client). IFRS 15 includes the disclosure requirements to provide comprehensive information with respect to the nature, amount, periodicity and uncertainty of the income and cash flows resulting from the contracts of an entity with its customers. IFRS 15 will replace all existing standards for revenue recognition.

This standard is effective for annual periods beginning on or after January 1, 2018. For the transition, the standard allows for a complete retrospective approach and a modified retrospective approach for adoption thereof. The Company has evaluated the two approaches and the modified retrospective approach is that used for the adoption. Under this approach, adjustments are recognized for the initial application effect (January 1, 2018) on retained earnings in the financial statements at December 2018, without reformulating the comparative period, applying the new rules to contracts in effect as from January 1, 2018 or those which, although pertaining to prior years, remain in effect at the date of initial application.

For the purposes of disclosure of the 2018 financial statements, the amounts of line items credited or debited must be mentioned, taking into account application of the current Revenue standard, as well as an explanation of the reason underlying the significant changes made.

The Company is currently implementing a project to evaluate the impact of IFRS 15 on its financial information and the matters considered more relevant are:

- The Company identified that there are contracts with customers under which different performance obligations could need to be recognized separately, resulting in changes in the timing and form of recognizing revenue. Due to the complexity of certain contracts with companies and government, the effort and level of judgment required for this evaluation is high.

- Upon distributing revenue among each of the performance obligations that differs from the current standard, the revenue amount to be recognized for each compliance obligation could also change, thus possibly changing the timing of revenue recognition.

- In some cases, the agent and principal evaluation could change with respect to the current analysis, upon including the matter of control in the evaluation. This is why an evaluation is being conducted to determine whether or not the presentation of revenue from the sale of licenses to third parties could have a change.

- Commission currently paid for the acquisition of contracts are applied to income as they are incurred, under the new standard for revenue, these payments could qualify as subject to capitalization and are amortized during the expected time of the contract.

Management considers that the effort made for implementation and the impact of this standard could be relevant. During 2017, the Company will work on identifying impacts.

IFRS 16 - “Leases” In January 2016, the IASB issued a new rule for accounting for leases. That rule replaces current IAS 17, which classifies leasing as either financial or operating. NIC 17 Identifies leases as financial when the risks and benefits of an asset are transferred, and all others as operating leases. IFRS 16 eliminates classification of leases as either financial or operating and requires recognition of a liability by reflecting future payments and an asset for “right to use” in most leases.

The IASB has included certain exceptions for short-term leases and leases of low-value assets. The above modifications are applicable to accounting for leases, while rules for the lessor remain similar to current rules. The most significant effect of the new requirements is reflected in the increase in leasing assets and liabilities, which also affects the statement of income under depreciation and financing expenses for assets and liabilities recognized, respectively, and reduces expenses pertaining to leases previously recognized as operating. At the date of issuance of these financial statements, the Company has not quantified the impact of the new requirements. The rule is effective for periods beginning on or after January 1, 2019, with early adoption allowed, provided IFRS 15 is also adopted.

There are no other IFRS or interpretations thereof yet to take effect or still expected to have a significant impact on the entity in the reporting periods, either current or future, and in foreseeable future transactions.

Disclosure of commitments and contingent liabilities [text block]

At December 31, 2016, the commitments and contingencies pertaining to Axtel and its subsidiaries were as follows:

I. Contingencies

Disagreements related to Interconnection with other mobile operators.

a. Radiomóvil Dipsa, S. A. de C. V. (Telcel).

i. The Company (Axtel and Avantel) signed transaction agreements with Telcel in 2015 that covered the period from January 1, 2005 to April 4, 2014, under which the parties agreed to terminate their disputes related to mobile interconnection rates generated during that period.

ii. Rates corresponding to mobile interconnection services provided by Telcel to the Company as from April 5, 2014 to date are subject to gratuitousness conditions stipulated in article 131 of the LFTR. Telcel contested said condition; however, no ruling has yet been handed down by the Supreme Court of Justice of Mexico.

Therefore, at December 31, 2016 and 2015, the Company and its advisors consider that the gratuitousness conditions will prevail as per the favorable resolutions obtained, as a result of which, the Company has recognized the cost based on said rates and there are no reserves related to this contingency.

b. Telefónica Group

i. The Company (Axtel and Avantel) signed transaction agreements with Telefónica Group covering the period from 2005 to 2011, under which the parties agreed to terminate their disputes related to mobile interconnection rates generated during that period.

ii. For 2012, 2013, 2014 and 2015, the Federal Telecommunications Institute (IFT from Spanish) resolved interconnection disagreements with the Company, reducing the interconnection rates for termination services involving mobile service users. Given the results of other litigation procedures regarding interconnection rates in the mobile network, in February 2016, the Company and Telefónica Group signed the agreements for termination of disputes related to interconnection rates.

Alestra entered into settlement agreements with Telefónica Group for the period from January 1 2007 to July 31, 2016, with the period from August 1 to December 31, 2016 yet to be determined by the courts. The rates used for payment of compensation for said period are those resolved by the IFT in other cases, and based on the results of the litigation process, no changes are expected.

Therefore, at December 31, 2016 and 2015, the Company and its advisors consider that the rates will prevail as per the favorable resolutions obtained, as a result of which, the Company has recognized the cost based on said rates and there are no reserves related to this contingency.

c. Iusacell Group (now AT&T)

i. For 2012, 2013, 2014 and 2015, the IFT resolved interconnection disagreements with the Company, reducing the interconnection rates for termination services involving mobile service users.

ii. In 2015, the Company (Axtel) signed transaction agreements for the aforementioned periods, except for 2012 and 2013, because the IFT's resolution that set the rates is under litigation at the specialized courts. For said years, the company obtained a favorable sentence in July 2016, as a result of which, the Second Specialized Collegiate Court confirmed the rates set by the IFT.

iii. Iusacell Group contested the IFT's resolution for 2015 and in July 2016, the Company (Axtel) obtained a favorable fist instance sentence confirming the rates. At present, no ruling has yet been handed down by the Specialized Collegiate Court with respect to the new motion for review filed by Iusacell.

iv. Alestra has on-going litigation at the specialized courts regarding interconnection rates with Iusacell for 2012, 2013, 2014 and 2015 and wit ATT for 2015 and 2016, for which no ruling has yet been handed down.

Therefore, at December 31, 2016 and 2015, the Company and its advisors consider that the rates pertaining to the IFT resolutions will prevail, as a result of which, the Company has recognized the cost based on said rates and there are no reserves related to this contingency.

d. Disagreements on interconnection with Telmex & Telnor.

i. For the periods from 2009 to 2014, the Company (Axtel) obtained favorable definitive sentences confirming that rates for termination of long-distance calls from the Company to Telmex set by the Federal Telecommunications Commission ("Cofetel"). For 2009, 2012, 2013 and 2014, Telmex filed legal actions contesting the rates set by Cofetel.

ii. Additionally, there is a disagreement between Telmex and Avantel regarding the rates for terminating long-distance calls that the Cofetel resolved in favor of Avantel for 2009, approving a rate reduction. Telmex contested this resolution at the courts, and the related sentence is expected to be handed down shortly.

iii. In May 2011, Cofetel also approved a reduction in the rates for termination of long-distance calls for 2011. Telmex contested this resolution before the SCT; however, the appeal was dismissed. Telmex filed a new appeal with the Federal Court of Justice for Administrative Matters, sentence pending.

iv. In August 2015, the IFT set the interconnection rates to be paid by Telmex to the Company for local origination. Telmex obtained a first-instance sentence protected by the Eightieth Transitory article of the Federal Telecommunications and Radio Broadcasting Law (LFTR) (for the two different rates per period). Telmex filed an appeal which was sent to the Supreme Court of Justice to determine the constitutionality of said transitory article.

v. For 2015, the IFT set the interconnection rates to be paid by Telmex to the Company for fixed termination. Telmex contested said resolution and the gratuitousness imposed by article 131 of the LFTR regarding termination in its network. No ruling has yet been handed down by the Supreme Court in this regard.

vi. Alestra is a party in litigation with Telmex for interconnection rates applicable from 2008 to 2013, except 2009, as Telmex contested the reduction of rates set by the Cofetel. There is a trust with BBVA Bancomer (as trustee) to guarantee payment of fixed interconnection services in the dispute applicable to 2008. This trust agreement was amended to include the amounts in dispute from 2009 to 2010. In April 2013, Alestra obtained a favorable sentence for 2009, and was awarded a refund of the amount deposited in the trust for that year, plus interest, for a total $290.6 million pesos, for a resulting balance at December 31, 2016 of $153.0 million.

vii. As from April 2012, Alestra and Telmex resumed negotiations and given the most recent and reliable information and the market conditions, the resale interconnection rates have changed prospectively based on Alestra Management's analysis and judgment. Alestra continues its negotiations with Telmex and the parties are expected to reach an agreement in the near future.

viii. In April 2015, the IFT set the interconnection rates for termination of long-distance calls in the Telmex network to be applied by Alestra from 2013 to 2015. Telmex contested the injunction trial Alestra obtained a favorable sentence for 2015 and the trials pertaining to the other years are soon to be resolved.

ix. Under the LFTR, as from August 13, 2014 and during the time they remain as preponderant agents in the telecommunications sector, Telmex and Telcel are forbidden to charge the interconnection rates for termination of calls that end in their network. During 2016, IFT began a process for review of the measures of preponderance imposed on América Móvil as holding company for Telmex and Telcel. A number of different scenarios can arise from this review, such as: i) that the measures imposed on Telmex and Telcel be either entirely or partially eliminated; ii) that the existing measures be modified; or iii) that they are confirmed. If the asymmetric regulation imposed on Telmex and Telcel is softened and/or eliminated, this could have a material adverse effect on the Company's business. At December 31, 2016, the preponderant agent status of Telmex, Telnor and Telcel remained unchanged.

At the date of issuance of the financial statements, the Company and its advisors consider that the rates pertaining to the IFT and Cofetel resolutions will prevail as per the favorable resolutions obtained, as a result of which, the Company has recognized the cost based on said rates and there are no reserves in the books of account related to this contingency. Likewise, the process for review of the preponderance measures is still ongoing.

Litigation between Axtel and Solution Ware Integración, S. A. de C. V. (“Solution Ware”)

i. The Company (Axtel) and Solution Ware participated in seven projects with the Government of Nuevo León, the Department of Labor And Social Welfare, The Department of Social Development, The National Population Registry, the National Forest Commission, Seguros Monterrey and the Government of the State of Tamaulipas. To date, Solution Ware has filed a number of ordinary commercial lawsuits against the Company, for payment of a number of purchase orders for administrative services, as well as interest, damages and lost profits, as well as legal costs. At the date of these financial statements, Solution Ware has demanded, via commercial notary public, payment of $91,776 and $US12,701.

At the date of issuance of the financial statements, the Company and its advisors consider there is no real probability that these lawsuits will prosper and therefore, no reserves were set up in this regard.

While the results of the disputes can not be predicted, at December 31, 2016, the Company does not believe there are any actions to be applied, or threats, claims or legal procedures against the Company, which, if determined adversely for the Company, would significantly damage, whether individually or in the aggregate, its financial position and/or operating results.

Other contingencies

The Company is a party to a number of lawsuits and claims arising from the normal course of its operations, which Management does not expect will have a significant adverse effect on its financial position or results of future operations. Reserves were set up in connection with these contingencies.

II. Commitments

The Company has commitments related to lease agreements, mainly in connection with office space, that qualify as operating leases.

The minimum future payments added, corresponding to non-cancellable operating leases are as follows:

Within 1 year	$ 762,194
After 1 year but not exceeding five years	2,451,428
After 5 years	5,110,650

Disclosure of credit risk [text block]

Credit risk

The credit risk represents the risk of financial loss for the Company, if a customer or counterpart of a financial instruments defaults on its contractual obligations, mainly in connection with accounts receivable from customers, as well as from investment instruments.

Account receivables

The Company is responsible for managing and analyzing the credit risk for every one of its new customers prior to setting down the terms and conditions for payment. Credit risk arises from exposure of credit to customers, including accounts receivable. If there is no independent rating in place, the Company evaluates the credit risk pertaining to its customers, taking into account the financial position, past experience and other factors such as historical lows, net recoveries and an analysis of the oldest balances and accounts receivable with reserves that are usually increased to the extent the accounts receivable increases in age.

Axtel determined its provision for impairment of accounts receivable, taking into account the probability of recovery, based on past experiences, as well as current collection trends and overall economic factors. Accounts receivable are entirely reserved when there are specific collection problems, based on past experience, mass customers are completely reserved when those accounts are past due by over 270 days, and business customers, carriers and government more than 360. Moreover, collection problems such as bankruptcy or catastrophes are also taken into account. Accounts receivable are analyzed monthly, and the provision for impairment of accounts receivable is adjusted in income.

Axtel conducts an economic evaluation of the efforts necessary to initiate legal proceedings for the recovery of past-due balances.

Besides Companies A and B, which are the Company's main customers, the Company has no significant exposure to credit risk involving a single customer or group of customers with similar characteristics. A group of customers is considered to have similar characteristics when they are related parties. The credit risk concentration of companies A and B must not exceed 20% of the gross amount of monetary assets at any given moment during the year. The credit risk concentration of any other customer must not exceed 5% of the gross amount of monetary assets at any given moment during the year.

Company A accounts for 5% and 12% of the Company's total account receivable at December 31, 2016 and 2015, respectively. Additionally, income related to Company A for the years ended December 31, 2016 and 2015 was 7% and 4%, respectively.

Company B accounts for 1% and 1% of the Company's total account receivable at December 31, 2016 and 2015, respectively. Additionally, income related to Company B for the years ended December 31, 2016 and 2015 was 7% and 3%, respectively.

At December 31, 2016 and 2015, the reserve for impairment totaled $1,920,753 and $3,178,325 respectively. Axtel considers this reserve to be sufficient to cover the probable loss of accounts receivable; however, it can not ensure that it will not need to be increased. A 10% change in the amounts estimated as uncollectable would result in a change in the uncollectable expenses of approximately $118,000.

Investments

The Company's policies for managing cash and temporary cash investments are conservative, which allows for minimizing risk in this type of financial asset, taking into account also that operations are only conducted with financial institutions with high credit ratings.

The Company’s maximum exposure to credit risk is equivalent to the total book value of its financial assets.

Disclosure of debt instruments [text block]

	December 31,	
	2016	2015
Bancomext	$ 3,867,268	$ -
Banco Nacional de México, S. A. (a) (b)	1,500,151	130,000
BBVA Bancomer, S. A. (a) (b) (c)	1,418,643	-
Banco Mercantil del Norte, S. A. (a) (b) (c)	1,418,643	-
JPMorgan Chase Bank, N. A. (c)	1,095,192	
Banco J. P. Morgan, S. A. (a)	404,959	-
Banco Santander (México), S. A. (a) (c)	1,500,151	-
Bank of America, N. A. (c)	1,239,840	-
ING Bank, N. V. Dublin Branch (c)	1,239,840	-
Export Development Canada (a) (c)	1,176,445	-
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (c)	702,576	
Bank of Tokyo-Mitsubishi UFJ (México), S. A. (a)	370,549	-
Mizuko, Bank, Ltd. (c)	826,560	-
Comerica Bank (c)	826,560	-
HSBC México, S. A. (a)	1,058,712	-
Scotiabank Inverlat, S. A. (a) (c)	705,808	-
Sabcapital, S. A. de C. V., SOFOM, E. R. (a) (b) (c)	471,318	-
Morgan Stanley senior Funding, Inc. (a)	441,130	-
Banco Monex, S. A. (a) (c)	194,565	-
BBVA Bancomer, S.A. de C. V.	400,000	-
Unsecured notes	-	12,024,160
Financial leasing with Telmex (1) (3)	400,137	385,968
Other financial leases (2) (3)	303,399	535,423
Accrued interest payable	132,815	545,208
Issuance costs	(180,812)	(93,945)
Total debt	21,514,449	13,526,814
Current portion of debt	(1,028,588)	(1,050,864)
Non-current debt	$ 20,485,861	$ 12,475,950

(a) Unsecured syndicated loan Tranche A MXP.

(a) Unsecured syndicated loan Tranche B MXP.

(a) Unsecured syndicated loan Tranche B USD.

(1) Indefeasible Right of Use (IRU) lease entered into with Teléfonos de México, S. A. B. de C. V. for an approximate amount of $708,041 expiring in 2019.

(2) Financial leases entered into with banking institutions at approximate rates of 6% for those denominated in U.S. Dollars and the interbank interest rate (TIIE from Spanish) plus 3% and 5.5% for those denominated in pesos, with maturities ranging from 1 to 3 years.

(3) Non-bank borrowings.

At December 31, 2015 and 2007, unsecured notes were comprised as follows:

	2015
Principal of US$50,400, at an interest rate of 7 5/8 %, maturing in 2017, with interest payable semiannually,	$ 867,173
Principal of US$101,700, at an interest rate of 9%, maturing in 2019, with interest payable semiannually.	1,750,417
Principal of US$544,600, at an initial interest rate of 7% that would increase to 9%, maturing in 2020, with interest payable semiannually.	9,371,572
Principal of US$22,200 of convertible notes at an interest rate of 7% that would increase to 9%, maturing in 2020, Interest was payable semiannually. (*)	45,856
Discount on the issuance of notes, arising from unsecured notes payable at an initial interest rate of 7% that would increase to 9%, maturing in 2020.	(19,462)
Premium on issuance of debentures, arising from unsecured notes payable, at an interest rate of 9%, maturing in 2019.	8,604
Total	$ 12,024,160

(*) The holders of the convertible bonds could opt to convert the notes in American Depository Shares ("ADSs") or in Certificate of participation (COPs).

Moreover, the overall unsecured notes were liquidated as part of the redemption mentioned in relevant events.

The terms, conditions and book values of the non-current debt are as follows:

			Interest rate				At December 31,	
	Country	Currency	contractual	Effective	Periodicity of maturity	Payment of interest	2016	2015
Bancomext	México	USD	3.88%	4.43%	01/17/2024	Quarterly	$ 3,729,852	$ -
Syndicated loan Tranche A	Mexico	MXP	TIIE + 2%	7.03%	01/15/2019	Biweekly	4,759,800	-
Syndicated loan Tranche B	Mexico	MXP	TIIE + 2.25%	7.28%	01/15/2019	Semiannual	1,499,842	-
Syndicated loan Tranche B	Mexico	USD	EuroDollar rate+ 2.25	3.64%	01/15/2021	Biweekly	10,332,000	-
Unsecured notes	Mexico	MXP/USD	sundry	sundry	sundry	Semiannual	-	12,024,160
Total bank loans							20,321,494	12,024,160
Issuance costs							(180,812)	(93,945)
Financial leases and other							345,179	545,735
Total							$ 20,485,861	$ 12,475,950

At December 31, 2016, the annual maturities of the non-current debt are as follows:

At December 31, 2016, the annual maturities of the non-current debt are as follows:

	2018	2019	2020	2021 onwards	Total
Bank loans	$ 137,132	$ 10,257,788	$ 5,604,750	$ 4,141,012	$ 20,140,682
Financial leases and other	214,910	130,064	205	-	345,179
	$ 352,042	$ 10,387,852	$ 5,604,955	$ 4,141,012	$ 20,485,861

At December 31, 2015, the annual maturities of the non-current debt are as follows:

	2017	2018	2019	2020 onwards	Total
Stock certificates and bonds	$ 867,173	$ -	$ 1,750,417	$ 9,312,625	$ 11,930,215
Financial leases and other	287,680	164,214	93,841	-	545,735
	$1,154,853	$ 164,214	$ 1,844,258	$ 9,312,625	$ 12,475,950

Costs of issuance of debentures and financing are directly attributable to issuance of the Company's debt and are amortized according to the effective interest rate over the lifetime of the debt.

At December 31, 2016 and 2015, the Company had not unused contractual credit facilities.

The fair value of the non-current debt is disclosed in Note 21. Fair values at December 31, 2016 and 2015 are based on a number of different discount rates, which fall within level 2 of the fair value hierarchy.

Liabilities related to financial leases are effectively covered with the rights of the leased asset to be returned to the lessor in the event of default.

	December 31,	
	2016	2015
Financial leasing obligations - minimum payments, gross		
- Less than one year	$ 358,357	$ 375,656
- More than a year and less than five years	345,179	545,735
Future financial charges on financial leases	79,805	125,948
Present value of liabilities from financial leases	$ 783,341	$ 1,047,339

The present value of liabilities from financial leases is analyzed as follows:

	December 31,	
	2016	2015
Less than one year	$ 408,456	$ 442,770
More than a year and less than five years	374,885	604,569
	$ 783,341	$ 1,047,339

The most restrictive obligations to do and not to do of the debt:

The Company settled its debt in unsecured notes at December 31, 2015 in February 2016, due to which, the restrictions described herein refer to the new debt. On February 16, 2016, the Company drew down on a long-term syndicated loan, in the amounts of US$500,000 y $4,787,000. Subsequently, on April 13, an additional draw down was made in the amount of $1,500,000.

The loan and debt issuance agreements currently in effect contain restrictions for the Company, mainly to comply with certain financial ratios, delivery of financial information, keeping accounting records and book, compliance with the applicable laws, rules and provisions. Failure to comply with said requirements within a specific term to the satisfaction of the creditors could be considered a cause for early termination.

The financial ratios to be complied with include the following:

a. Interest hedge ratio (to be calculated in dollars at the average exchange rate): which is calculated by dividing: the operating profit (loss) before depreciation, amortization and expenses related to “adjustment events” (such as a merger) by the interest expense (excluding interest expenses related to “adjustment events”) for the last four quarters of the period under analysis. This factor can not be less than 2.75 times during the first 18 months after the date on which control is exercised and no less than 3.0 times from that point on.

b. Leverage ratio (calculated in dollars at the average exchange rate for the year, except for the net debt, which is the exchange rate prevailing at year end): which is arrived at by dividing the net consolidated debt (current and non-current debt, net of debt issuance costs, less unrestricted cash and cash equivalents) by the operating profit (loss) before depreciation, amortization and expenses related to “adjustment events” (such as a merger) for each quarter. At December 31, 2016 and up until December 31, 2017, this factor can not exceed 4.25 times. From March 31, 2018 to June 30, 2018, this factor must not exceed 3.75 times; and from September 30, 2018 to the end of the contract, this factor must not exceed 3.5 times.

The obligations to do and not to do contained in the loan agreements establish some obligations, conditions and certain exceptions that require or place restrictions on the Company's ability to:

- Grant lien on assets;
- Conduct operations with affiliates;
- Conduct a merger in which the Company is dissolved, unfavorable sale of assets; and
- Pay dividends

At December 31, 2016 and at the date of issuance of these financial statements, the Company and its subsidiaries had duly complied with the obligations set down in the loan agreements.

Disclosure of deferred income [text block]

Other liabilities at December 31, 2016 and 2015 is comprised as follows:

	December 31,	
Current:	2016	2015
Deferred income	$ 1,022,605	$ 509,415
Total	$ 1,022,605	$ 509,415

The variations in the year of deferred income are as follows:

	2016	2015
Starting balance	$ 509,415	$ 729,768

Increases	1,235,772	616,466
Applied to income for the year	(722,582)	(836,819)
Ending balance	$ 1,022,605	$ 509,415

Disclosure of deferred taxes [text block]

Following is an analysis of the deferred tax asset and liability, on a net basis:

	At December 31,	
	2016	2015
Deferred tax asset:		
To be recovered at more than 12 months	$ 3,037,830	$ 1,808,845
To be recovered within 12 months	1,018,943	426,624
	4,056,773	2,235,469
Deferred tax liability:		
To be covered at more than 12 months	(10,318)	-
To be covered within 12 months	-	-
	(10,318)	-
Deferred tax asset net	$ 4,046,455	$ 2,235,469

Gross movements in the deferred tax on income account are as follows:

	2016	2015
At January 1	$ 2,235,469	$ 1,806,710
Credit to statement of income	1,556,866	428,537
Merger	242,203	-
Taxes receivable related to other components of comprehensive income	11,917	222
At December 31	$ 4,046,455	$ 2,235,469

Movements in the deferred income tax asset during the year are as follows:

	Assets (liabilities)	
	At December 31,	
	2016	2015
Unamortized tax losses	$ 2,797,686	$ 1,682,858
Allowance for doubtful accounts	591,444	469,257
Property, plant and equipment	1,012,748	295,775
Provisions and other	481,128	387,443

Intangible assets and other	153,908	-
Deferred tax asset	$ 5,036,914	$ 2,835,333
Property, plant and equipment	($ 54,416)	$ -
Telephone concession rights	(15,905)	(28,554)
Long-term debts	(549,342)	(549,342)
Intangible assets and other	(370,796)	(21,968)
Deferred tax liability	(990,459)	(599,864)
Deferred tax asset, net	$ 4,046,455	$ 2,235,469

The movements in temporary differences during the year are as follows:

	Balance at December 31, 2015	Applied to income	Increase from merger	Applied to other comprehensive income	Balance at December 31, 2016
Unamortized tax losses	$ 1,682,858	$ 1,111,685	$ 3,143	$ -	$ 2,797,686
Allowance for doubtful accounts	469,257	15,367	106,820	-	591,444
Property, plant and equipment	295,775	716,973		-	1,012,748
Intangible assets and other		(9,417)	163,325		153,908
Provisions and other	387,443	(22,249)	104,017	11,917	481,128
	2,835,333	1,812,359	377,305	11,917	5,036,914
Telephone concession fees	28,554	(12,649)	-	-	15,905
Long-term debts	549,342	-	-	-	549,342
Property, plant and equipment		(80,686)	135,102		54,416
Fair value of derivative financial instruments	11,257	(11,257)		-	-
Intangible assets and other	10,711	360,085		-	370,796
	599,864	255,493	135,102	-	990,459
Deferred tax asset	$ 2,235,469	$ 1,556,866	$ 242,203	$ 11,917	$ 4,046,455

	Balance at December 31, 2014	Applied to income	Increase from merger	Applied to other comprehensive income	Balance at December 31, 2015
Unamortized tax losses	$ 1,257,927	$ 424,931	$ -	$ -	$ 1,682,858
Allowance for doubtful accounts	498,990	(29,733)	-	-	469,257
Property, plant and equipment	312,239	(16,464)	-	-	295,775
Provisions and other	366,192	21,029		222	387,443
	2,435,348	399,763	-	222	2,835,333
Telephone concession fees	40,466	(11,912)	-	-	28,554
Long-term debts	549,342	-	-	-	549,342
Fair value of derivative financial instruments	28,123	(16,866)	-	-	11,257
Intangible assets and other	10,707	4	-	-	10,711
	628,638	(28,774)	-	-	599,864
Deferred tax liability	$ 1,806,710	$ 428,537	$ -	$ 222	$ 2,235,469

The deferred income tax asset arising from unamortized tax losses is recognized when the existence of future tax profits is probable and realization of the related tax benefit is permitted. The Company recognized a deferred tax asset of $4,046,455 for 2016 and $2,235,469 for 2015, of which the asset from tax losses arising from a remaining and incurred amount of $2,797,686 for 2016 and $1,682,858 for 2015, which can be amortized against future tax profits.

Tax losses at December 31, 2016 expire in the following years:

Year of expiration	Amount
2017	
2018	$ 381,363
2019	-
2020	18,715
2021	1,693,985
2022 and later	9,184,996
	$ 11,279,059

Disclosure of earnings per share [text block]

Earnings per share are calculated dividing the earnings attributable to the shareholders by the weighted average of ordinary shares outstanding during the year. At December 31, 2016 and 2015, there are no effects of dilution per financial instrument potentially convertible to shares.

Disclosure of effect of changes in foreign exchange rates [text block]

At February 21, 2017, date of issuance of the audited financial statements, the rate of exchange was 20.41 nominal pesos to the US dollar.

At December 31, 2016 and 2015, the Company has the following foreign currency assets and liabilities:

	At December 31, 2016		At December 31, 2015	
	Dollar (US)	Mexican pesos	Dollar (US)	Mexican pesos
Monetary assets	$ 62,311	$ 1,287,601	$ 124,523	$ 2,141,796
Liabilities:				
Current	(84,604)	(1,748,248)	(127,022)	(2,184,778)
Non-current	(502,189)	(10,377,242)	(710,481)	(12,220,273)
Foreign currency position	($ 524,482)	($ 10,837,889)	($ 712,980)	($ 12,263,255)

Disclosure of employee benefits [text block]

Defined contribution plans:

The Company has a defined contribution plan. According to the structuring of this plans, the cut down on labor liabilities is reflected progressively. The Company has established irrevocable trust funds for payment of the defined contributions plan. Due to the changes made in the 2014 tax reform, the Company interrupted deposits to the trust; however, it has preserved this benefit and recognized labor obligations of $160,118 at December 31, 2016.

Defined benefit plans:

Valuation of defined benefit plans is mainly based on the number of years of service completed by Company employees, their age and estimated compensation at retirement.

Following is a summary of the main financial information pertaining to said employee benefits:

	December 31,	
	2016	2015
Obligations in the statement of financial position arising from:		
Pension benefits (1)	$ 302,399	$ 28,231
Medical benefits at retirement	4,520	-
Liabilities in the statement of financial position	$ 306,919	$ 28,231
Re-measurements from accumulated employee benefit obligations applied to other comprehensive income	$ 25,167	$ 1,404

1. Up until February 15, 2016, the Company recognized seniority premiums.

Pension-related benefits

The Company operates defined benefit pension plans related to pensionable compensation and the duration of the service.

The amounts recognized in the statement of financial position are determined as follows:

	December 31,	
	2016	2015
Present value of obligations equal to the liability in the statement of financial position	$ 302,399	$ 28,231

Movements in the defined benefit obligation are as follows:

	2016	2015
At January 1	$ 28,231	$ 25,128
Present cost of current service	8,066	3,336
Financial cost	8,353	1,665
Remediation:		
Loss from changes in financial assumptions	27,226	1,182
Cost of past services	2,719	(3,079)
Benefits paid	(3,392)	-
Liabilities acquired in merger	116,168	-
Changes to plan (See Note 23) (*)	137,321	-
Reductions	(22,193)	-
At December 31	$ 302,399	$ 28,231

(*) Effect arising from homogenization of personnel benefits with those offered by ALFA.

The amounts shown in the statement of income are as follows:

	2016	2015
Current cost of service	$ 8,066	$ 3,336
Financial cost	8,353	1,665
Cost of past services	2,719	(3,079)
Changes to plan	137,321	-
Effect of reduction	(22,193)	-
Total	$ 134,266	$ 1,922

The main ranges of the actuarial assumptions for Mexico were as follows:

	December 31,	
	2016	2015
Discount rate	6.75%	6.75%
Future salary increase	5.25%	4.25%
Health care inflation rate	7.50%	-%

The average lifetime of defined benefit obligations is 32.28 and 33.99 years at December 31, 2016 and 2015, respectively.

The sensitivity analysis of the principal assumptions for defined benefit obligations was as follows:

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decreased by ($1,150)	Increased by $885

The above-mentioned sensitivity analyses are based on a change in an assumption, while all other assumptions remain constant. In practice, this is not likely to happen, and there may be changes in other correlated assumptions. When calculating the sensitivity of pension plans to principal actuarial assumptions, the same method has been used as if it involved calculation of liabilities pertaining to pension benefit plans recorded in the consolidated statement of financial position. The methods and type of assumptions used in preparing the sensitivity analysis suffered no changes with respect to the prior period.

Post-employment health care benefits

The Company operates post-employment health-care benefit plans. The accounting method, the assumptions and frequency of the valuations are similar to those used for defined benefits in pension plans. These plans are not funded.

The amounts recognized in the statement of financial position were determined as follows:

	December 31,	
	2016	2015
Present value of obligations equal to the liability in the statement of financial position	$ 4,520	$ -

The movements of post-employment health-care benefits are as follows:

	2016	2015
At January 1	$ -	$ -
Present cost of current service	128	-
Financial cost	409	-
Liabilities acquired in merger	6,094	-
Losses (gains) from changes in financial assumptions	(2,059)	-
Benefits paid	(52)	-
At December 31,	$ 4,520	$

The amounts shown in the statement of income are as follows:

	2016	2015
Current cost of service	$ 128	$ -
Financial cost	409	-
Cost of past services	-	
Total included in personnel costs	$ 537	$

Associated risks

With respect to its defined benefit pension plan and its health-care plan, the Company is exposed to a number of risks, the most significant of which are as follows:

Changes in the discount rate - A decrease in the discount rate would give rise to an increase in obligations under the plans.

Inflation risk - Some of the labor obligations are tied to inflation, higher inflation would give rise to an increase in plan obligations.

Life expectancy - Most of the obligations of the plans will result in benefits to be received by the members thereof; therefore, an increase in the life expectation would result in an increase in plan obligations.

Disclosure of entity's operating segments [text block]

Up until 2015, the Company considered itself to operate in a single business segment. Management formerly evaluated the business by dividing the information into two types of revenue (mass market and business); however, in 2016 and 2015, it was not possible to attribute individual costs to each of them, either directly or indirectly.

During 2016, as a result of the merger the information provided to the Chief Operating Decision Maker (CODM), two additional segments were incorporated: Consumption and Government, to the segment in place in 2015. The information per segment for 2015 was reformulated for comparative purposes.

At present, the information used in strategic decision making is reported to the CODM based on three operating segments. The approach of the tree operating segments is as follows:

The Massive operating segment offers the consumer and small-business markets communication products and services.

The Business operating segment offers communication services and added value services, such as information, data and Internet technologies, managed through the Company's network and infrastructure, both for multinational companies and international and national businesses.

The Government operating segment offers communication services and added value services, such as information, data and Internet technologies, managed through the Company's network and infrastructure, for the federal, state and municipal governments.

Aside from the three operating segments focusing on customers, the Company's remaining operations are included in the “Unallocated expenses” category to be applied to the Company's consolidated income. The “Unallocated expenses” category includes expenses related to the group's centralized functions, including acquisitions, chain of supply and the entity's management.

These operating segments are managed separately, as the products and services offered and the markets where they are located are different. Resources are allocated to the operating segments considering the strategies defined by the Company's Management. Operations between operating segments are conducted at market values.

The operating segments’ performance is measured on the basis of the Business Unit Contribution (BUC) defined as the each operating segment's operating profit, including sales, costs per segment and the segment's direct expenses, as included in the internal financial reports reviewed by the CODM.

The Company determines the adjusted EBITDA as the result of adding depreciation and amortization; and impairment of merger assets and expenses, to the operating (loss) profit. This is considered a useful measurement of the business's operating performance, as it provides a significant analysis of the commercial performance, by excluding specific items reported separately due to the nature or incidence. Interest income or expenses are not allocated to the reporting segments, as this activity is handled globally by the group’s central treasury.

When projects are not directly attributed to a particular operating segment, the capital expense is assigned to each segment based on the rate of future economic benefits estimated as a result of the capital expense.

Following is the consolidated financial information pertaining to the information segments:

I. Analytical information per segment

	2016				2015			
	Mass	Business	Government	Total	Mass	Business	Government	Total
Sales per segment	$ 3,129,580	$ 8,783,843	$ 2,023,897	$13,937,320	$ 3,316,104	$ 4,242,215	$ 2,592,119	$ 10,150,438
Cost of service	(436,820)	(1,579,947)	(730,846)	(2,747,613)	(448,381)	(1,032,026)	(819,461)	(2,299,868)
Expenses	(1,098,137)	(905,408)	(242,768)	(2,246,313)	(1,103,005)	(292,033)	(137,390)	(1,532,428)
Business Unit Contribution (BUC)	$ 1,594,623	$ 6,298,488	$ 1,050,283	$ 8,943,394	$ 1,764,718	$ 2,918,156	$ 1,635,268	$ 6,318,142
	51%	72%	52%	64%	53%	69%	63%	62%
Unallocated expenses				(4,435,190)				(3,110,292)
Adjusted EBITDA				4,508,204				3,207,850
Impairment of non-current assets				(52,795)				-
Merger-related expenses				(835,200)				-
Depreciation and amortization				(3,829,589)				(2,618,567)
Operating (loss) profit				(209,380)				589,283
Financial gain (loss), net				(4,856,399)				(2,694,739)
Equity in the results of associated company				(5,189)				(5)
Income taxes				1,471,706				373,194
Net consolidated loss				(3,599,262)				(1,732,267)

II. General information

a. Sales of service

	2016	2015
Voice	$ 4,236,979	$ 3,844,266
RA (Networks under Administration)	3,046,351	2,976,006
DI (Internet data)	4,209,462	1,901,650
Video	499,726	375,122
Administrative Applications	215,042	265,573
Hosting	586,149	269,899
Systems Integration	573,475	197,428
Security	322,680	226,854
Cloud Services	125,474	7,086
Other services	121,982	86,554
Total	$ 13,937,320	$ 10,150,438

b. Per geographic segment

Sales per geographic zone

	2016	2015
Mexico	$ 13,865,436	$ 9,859,514
Outside Mexico	71,884	290,924
Total	$ 13,937,320	$ 10,150,438

Disclosure of events after reporting period [text block]

In preparing the financial statements, the Company has evaluated events and transactions for subsequent recognition or disclosure thereof at December 31, 2016 and up to February 21, 2017 (date of issuance of the financial statements), and has concluded there are no subsequent events that would affect said statements, except for the following relevant subsequent event that has no effect on the records in the financial statements at December 31, 2016:

On November 17, 2016, the consortium ALTAN Redes, S. A. P. I. de C.V. (“ALTAN”), won the international request for tenders put out by the Ministry of Communications and Transportation, for construction and operation of the Shares Network.

The Company will hold a 4% shareholding interest in ALTAN, representing an investment of US$30,000, of which US$1,000 was payable in cash in January 2017 and the remainder through a service provision plan.

In this regard, Axtel will not only be a shareholder, but will also provide telecommunications and IT services to ALTAN. However, because it is a telecommunications service licensee, the Company will have no significant influence on the ALTAN operation. In light of the above, its interest will be effected through the acquisition of a special series of shares with no voting rights, mostly contributing services and capabilities.

With respect to ALTAN, on January 17, 2017, through its Agency for Promotion of Investments in Telecommunications (PROMTEL), the Ministry of Communications and Transportation and the IFT granted ALTAN a concession title for commercial use as a wholesale shared network, for a 20-year term as from the date of the award.

At present, the Company is working with ALTAN to subscribe the agreement requiring that Axtel provide services for up to a minimum of US$29,000. We trust that by month end, said agreement was subscribed by both parties.

Disclosure of expenses by nature [text block]

The cost of sales and selling and administration costs classified according to their nature are comprised as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Cost of service [(1)]	$ 2,747,613	$ 1,765,628
Employee benefit expenses (Note 26)	2,958,216	1,939,545
Maintenance	1,667,790	1,123,856
Depreciation and amortization	3,829,589	2,618,567
Advertising expenses	169,736	182,978
Energy and fuel consumption	273,001	198,325
Travel expenses	69,199	42,765
Operating leases	1,107,916	904,230
Technical assistance, professional fees and administrative services	126,934	48,922
Other	358,977	299,018
Total	$ 13,308,971	$ 9,123,834

(1) The cost of services consists mainly of interconnection costs and costs related to implementation of IT solutions, including:

- Charges related to leased lines, normally paid on a per-circuit basis per month to Telmex and to other suppliers of last-mile access.
- Cost of interconnection, including charges for local access and resale, paid on a per-minute basis mainly to Telmex.
- International payments to foreign operators on a per-minute basis to complete international calls originating in Mexico.

Disclosure of fair value of financial instruments [text block]

The amounts shown for cash and cash equivalents, trade receivables and other accounts receivable, other current assets, trade payables and other accounts payable, current debt, current provisions and other current liabilities approximate their fair value given the short span of their terms. The net book value of these accounts represents the expected cash flow.

Following are the book and value and estimated fair value of financial assets and liabilities valued at their amortized cost:

	At December 31, 2016		At December 31, 2015	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Non-current receivable	$ 8,642	$ 8,310	$ 128,613	$ 122,489
Financial liabilities:				
Bank loans	20,458,910	19,525,014		

Unsecured notes			11,989,865	11,989,134
Other liabilities	703,536	658,793	921,391	945,706
Indemnification (*)	983,747	983,747	-	-

Estimated fair values were determined on a discounted cash flow basis, and these fair values are considered Level 2. These fair values do not consider the current portion of financial assets and liabilities, as the current portion closely resembles its fair value.

(*) The fair value of the indemnification closely resembles its book value due to the term and interest-rate terms.

Disclosure of finance income (cost) [text block]

Financing income and costs for the years ended December 31, 2016 and 2015 is comprised as follows:

	Year ended December 31,	
	2016	2015
Financial income:		
Interest income on short-term bank deposits	$ 19,738	$ 30,192
Financial assets at fair value applied to income	-	221,182
Other financial income	4,643	6,737
Financial income, excluding exchange gains	24,381	258,111
Exchange gains	210,124	438,658
Total financial income	$ 234,505	$ 696,769

	Year ended December 31,	
	2016	2015
Financial expenses:		
Interest expense on bank loans	($ 775,668)	($ 42,474)
Expense related to prize for early cancellation	(758,064)	-
Financial assets at fair value applied to income	(225,121)	
Interest expense on unsecured notes	(221,944)	(1,165,094)
Expenses related to other interest and commissions	(2,472)	-
Financial expenses related to employee benefits	(6,492)	-
Embedded derivative instrument	(71,318)	(57,475)
Other financial expenses	(41,021)	(28,741)
Total financial expenses, excluding exchange loss	(2,102,100)	(1,293,784)
Exchange loss	(2,988,804)	(2,097,724)
Total financial expenses	(5,090,904)	(3,391,508)

Financial profit or loss, net	($ 4,856,399)	($ 2,694,739)

Disclosure of financial instruments [text block]

a. Financial instruments per category

The book values of the financial instruments per category are comprised as follows:

At December 31, 2016

	Accounts receivable and payable at amortized cost	Financial assets and liabilities at fair value with changes in income	Total categories
Financial assets:			
Cash and cash equivalents	$ 1,447,118	$ -	$1,447,118
Restricted cash	153,040		153,040
Trade receivables and other accounts receivable, net	3,207,349		3,207,349
Financial instruments (zero strike call)	-	152,978	152,978
Non-current account receivable	8,642		8,642
Total financial assets	$ 4,816,149	$ 152,978	$ 4,969,127
Financial liabilities:			
Current debt	$ 1,028,588		$ 1,028,588
Suppliers, related parties and sundry creditors	4,286,158	246,396	4,532,554
Non-current debt	20,485,861		20,485,861
Other non-current accounts payable	985,975		985,975
Total financial assets	$ 26,786,582	$ 246,396	$ 27,032,978

At December 31, 2015

	Accounts receivable and payable at amortized cost	Financial assets and liabilities at fair value with changes in income	Total categories
Financial assets:			
Cash and cash equivalents	$ 2,575,222	$ -	$ 2,575,222
Trade receivables and other accounts receivable, net	2,358,355		2,358,355
Financial instruments (zero strike call)		378,099	378,099
Non-current account receivable	127,798		127,798

Total financial assets	$ 5,061,375	$ 378,099	$ 5,439,474
Financial liabilities:			
Current debt	$ 1,050,864		$ 1,050,864
Suppliers, related parties and sundry creditors	2,676,819	2,676,819	
Non-current debt	12,475,950		12,475,950
Derivative instruments (convertible debt)	-	65,222	65,222
Other non-current accounts payable	112,340		112,340
Total financial assets	$ 16,315,973	$ 65,222	$ 16,381,195

b. Fair value of financial assets and liabilities

The amounts shown for cash and cash equivalents, trade receivables and other accounts receivable, other current assets, trade payables and other accounts payable, current debt, current provisions and other current liabilities approximate their fair value given the short span of their terms. The net book value of these accounts represents the expected cash flow.

Following are the book and value and estimated fair value of financial assets and liabilities valued at their amortized cost:

	At December 31, 2016		At December 31, 2015	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Non-current receivable	$ 8,642	$ 8,310	$ 128,613	$ 122,489
Financial liabilities:				
Bank loans	20,458,910	19,525,014		
Unsecured notes			11,989,865	11,989,134
Other liabilities	703,536	658,793	921,391	945,706
Indemnification (*)	983,747	983,747	-	-

Estimated fair values were determined on a discounted cash flow basis, and these fair values are considered Level 2. These fair values do not consider the current portion of financial assets and liabilities, as the current portion closely resembles its fair value.

(*) The fair value of the indemnification closely resembles its book value due to the term and interest-rate terms.

c. Financial instruments and derivative financial instruments

Financial instruments

At December 31, 2016 and 2015, the Company has entered into Over the Counter (OTC) transaction agreements with Bank of America Merrill Lynch (BAML) and Corporativo GBM, S.A.B. de C.V. (GBM) denominated “Zero Strike Call” or options, at a price closely resembling zero. The asset underlying these instruments is the market value of Axtel’s CPOs. The contracts signed prior to October 2016 can only be settled in cash. As from that date, the term of the contracts yet to be settled was extended and as a result of this negotiation, the settlement method can be in cash or in shares, as opted by the Company’s. The original term of these contracts is 6 months and can be extended by mutual agreement between the parties; however, as this is an American type option, the Company can exercise it at any given time prior to the date of maturity.

According to the contracts, in the option is taken for payment in cash, the amount to be settled will be calculated as per the following formula: *Number of options per option right per (reference price - exercise price).*

Where:

Number of options = determined in the contract

Right of option = defined as 1 “share” per option, defining “share” as Bloomberg Code AXTELCPO MM.

Reference price = “The price per share that GBM receives upon settling the position of the hedges thereof, under commercially reasonable terms, discounting commissions and taxes”.

Exercise price = 0.000001 pesos

The company determined the classification and measurement of these contracts as financial assets at fair value with changes in income.

At December 31, 2016 and 2015, the lending position of the options represents the maximum amount of their credit exposure, as shown below:

				Fair value	
Counterparty	Notional amount	Contract start date	Type of underlying asset	2016	2015
Bank of America Merrill Lynch	30,384,700	2010 y 2009	CPO’s Axtel	$ 106,954	$ 264,348
Corporativo GBM, S. A. B. de C. V.	13,074982	2015 y 2014	CPO’s Axtel	46,024	113,751
				$ 152,978	$ 378,099

For the year ended December 31, 2016, the changes in fair value of the Zero Strike Calls gave rise to an unrealized loss of 225,121 (unrealized profit of 221,182 at December 31, 2015), recognized in comprehensive financing income, in the Changes in fair value of financial instruments line item, net. During 2015, the Company paid a premium of $34,918.

Following is a summary of the fair value hierarchy by which financial instruments and derivative financial instruments:

At December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Zero strike calls	$ 152,978	$ -	$ -	$ 152,978
Financial liabilities:				
Financial liabilities arising from the merger (see Note 2)	$ -	$ 246,396	$ -	$ 246,396

At December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Zero strike calls	$ 378,099	$	$ -	$ 378,099
Financial liabilities:				
Convertible bonds	$ -	$ 65,222	$ -	$ 65,222

d. Hierarchy of fair value

The Company has adopted the standard that establishes a three-level hierarchy to be used upon measuring and disclosing the fair value. Classification of an instrument within the fair value hierarchy is based on the lowest level of the significant data used in valuation thereof. Following is a description of the three levels of the hierarchy:

- Level 1 - Price quoted for identical instruments in an active market.

The fair value of financial instruments negotiated in active markets is based on market price quoted at the closing date of the balance sheet. A market is considered active if the quotes are clear and regularly available through a stock exchange, trader, broker, industry group, price setting services, or regulatory agency and those prices currently and regularly reflect the market transactions in conditions of independence.

- Level 2 - Prices quoted for similar instruments in active markets; prices quoted for identical or similar instruments in inactive markets; and valuations through models where all significant data are observable in active markets.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of information observable in the market when it is available and is based as little as possible on specific Company estimates. If all of the significant data entered and required to measure an instrument at fair value are observable, the instrument is classified at Level 2.

- Level 3 - Valuations conducted through techniques where one or more of the related significant data are not observable.

This hierarchy requires the use of observable market data when available. In its valuations of fair value, the Company considers relevant and observable market information, to the extent possible.

If one or more of the significant data is not based on observable market information, the instrument is included in Level 3.

Disclosure of financial risk management [text block]

Financial risk factors

The Company's activities expose it to a number of financial risks; market risks (including exchange rate risks, interest rate risk on cash flows and interest rate risk on fair values), credit risks and liquidity risk. Risk management of the Company's general program considers the unpredictability of financial markets and seeks to minimize the potential adverse effects of the Company's financial performance.

The objective is to protect the businesses' financial health against the volatility of exchange and interest rates.

ALFA (holding company) has a Risk Management Committee (CAR from Spanish) comprised of the Chairman of the Board, the Managing Director, ALFA's Finance Director and a Finance executive of ALFA acting as technical secretary. The CAR supervises derivative operations proposed by the Company, in which the maximum possible loss exceeds US$1 million. This committee supports both the Executive Director and the Chairman of the Company's Board of Directors. All of the derivative operations that Company intends to conduct, as well as renewal of existing derivatives, require the approval of both the Company and ALFA, as per the following authorizations program:

	Maximum Possible Loss US$ millions	
	Individual operation	Accumulated annual operations
CEO	1	5
ALFA'S Risk Management Committee	30	100

Board of Finance Directors	100	300
ALFA Board of Directors	>100	>300

Disclosure of general information about financial statements [text block]

Axtel, S. A. B. de C. V. and subsidiaries ("Axtel" or "the Company") was incorporated in Mexico as a capital stock company. Axtel's main office is located at Boulevard Díaz Ordaz km 3.33 L-1, Colonia Unidad San Pedro, 66215 San Pedro Garza García, Nuevo León, Mexico.

Axtel is a publicly owned corporation, whose shares are registered at the National Securities Registry and are traded at the Mexican Stock Exchange (the "Bolsa" from Spanish) through Certificates of Participation ("COPs") issued under the Trust, whose trustee is Nacional Financiera, S. N. C., a subsidiary of Alfa, S. A. B. de C. V. ("ALFA"), direct controlling and last company of the Group , which exercises control and holds 50.19% through the Trust Administration Agreement No. 2673 entered into with Banco Invex, S. A. ALFA has control over the Company's relevant activities.

The Company is engaged in installing, operating and/or exploiting a public telecommunications network for the provision of services involving conducting voice signals, sounds, data, internet, texts and images, IT, local as well as domestic and international long-distance telephone service and restricted television service. Concessions are required to provide these services and conducting the Company's business activities.

The consolidated financial statements of Axtel, S. A. B. de C. V. and subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS include International Accounting Standard (IAS) currently in effect, as well as all related interpretations issued by the IFRS Interpretations Committee (IFRS-IC), including those previously issued by the Standing Interpretations Committee (SIC).

Disclosure of income tax [text block]

	Year ended December 31,	
	2016	2015
Currently-payable tax:		
Tax incurred on income for the period	(\$ 97,048)	(\$ 61,305)
Deferred tax	1,556,866	434,499
Adjustment with respect to prior years	11,888	-
Income tax charge to income	\$ 1,471,706	\$ 373,194

The reconciliation between the statutory and the effective income tax rates is as follows:

	2016	2015
Pretax loss	(\$ 5,070,968)	(\$ 2,105,461)
Equity in earnings of associated companies recognized by the equity method	5,189	5
Loss before equity in associated companies		

(5,065,779) (2,105,456)

Statutory rate	30%	30%
Tax at statutory rate	1,519,734	631,637
(Plus) less the effect of taxes on:		
Tax effect of inflation	105,895	4,023
Non-deductible items	(249,064)	(192,040)
Other differences, net	95,141	(70,426)
Total reserve for taxes on income applied to income	$ 1,471,706	$ 373,194
Effective rate	29%	18%

The charge / credit of tax related to the components of other comprehensive income is as follows:

	2016			2015		
	Pretax	Tax charged/ (credited)	After taxes	Pretax	Tax charged/ (credited)	After taxes
Effect of translation of foreign entities	$ 14,556	($ 4,367)	$ 10,189	$	$	$
Remediation of employee benefit obligations	(25,167)	7,550	(17,617)	(1,404)	222	(1,182)
Deferred tax	($ 10,611)	$ 3,183	($ 7,428)	($ 1,404)	$ 222	($ 1,182)

Disclosure of information about employees [text block]

Employee benefit expenses:

	Year ended December 31,	
	2016	2015
Wages, salaries and benefits	$ 2,448,479	$ 1,599,088
Social security dues	421,205	285,554
Employee benefits (Note 19)	8,914	5,800
Other dues	79,618	49,103
Total	$ 2,958,216	$ 1,939,545

Disclosure of information about key management personnel [text block]

For the year ended December 31, 2016, compensation and benefits paid to the Company's main officers totaled $245,506 ($259,368 in 2015), comprised of base salary and benefits required by law, complemented by a program of variable compensation basically based on the Company's results and by the market value of ALFA shares.

Disclosure of intangible assets and goodwill [text block]

Goodwill and intangible assets:

Movements of intangible assets for the period at December 31, 2016 and 2015 are analyzed as follows:

		Defined life					Indefinite life	
	Concessions	Defined-life trademarks	Relations with customers	Obligations to do and not to do	Software and licenses	Other defined life	Goodwill	Total
Opening balance at January 1, 2015	$ 144,022	$ -	$ -	$ -	$ -	$ 29,934	$ -	$ 173,956
Amortization charges recognized during the year	(40,321)	-	-	-	-	(8,636)	-	(48,957)
Ending balance at December 31, 2015	$ 103,701	$ -	$ -	$ -	$ -	$ 21,298	$ -	$ 124,999
Cost	$ 681,713	$	$	$	$	$ 183,226	$	$ 864,939
Accumulated amortization	(578,012)	-	-	-	-	(161,928)	-	(739,940)
Ending balance at December 31, 2015	$ 103,701	$ -	$ -	$ -	$ -	$ 21,298	$ -	$ 124,999
December 31, 2015								
Opening balance at January 1 2016	$ 103,701	$ -	$ -	$ -	$ -	$ 21,298	$ -	$ 124,999
Additions	6,858	40,000	-	809,793	99,791	3,592		960,034
Acquisition via merger (Note 2)	18,824	38,255	220,412		285,834	115,011	488,232	1,166,568
Disposals								
Amortization charges recognized during the year	(46,105)	(14,139)	(15,191)	(219,051)	(92,123)	(26,265)	-	(412,874)
Ending balance at December 31, 2016	$ 83,278	$ 64,116	$ 205,221	$ 590,742	$ 293,502	$ 113,636	$ 488,232	$ 1,838,727
Cost	$ 707,395	$ 78,255	$ 220,412	$ 809,793	$ 385,625	$ 301,829	$ 488,232	$ 2,991,541
Accumulated amortization	(624,117)	(14,139)	(15,191)	(219,051)	(92,123)	(188,193)	-	(1,152,814)
Ending balance at December 31, 2016	$ 83,278	$ 64,116	$ 205,221	$ 590,742	$ 293,502	$ 113,636	$ 488,232	$ 1,838,727

Company concessions

Its concessions allow the Company to provide local basic telephone service; national long-distance service, the purchase or rent of network capacity for the generation, transmission or reception of data, signals, text, script, images, voice, sound and any other type of information; rent of digital circuits; restricted TV and audio service.

The Company’s principal concessions are as follows:

- Sole concession for commercial use for the purpose of providing any type of telecommunications and/or radio broadcasting that is feasible to be provided, granted for a 30-year period, expiring in 2046.
- Public telecommunications network concession granted for data transmission via satellite, granted for a 30-year period, expiring in 2042. (*)
- Public telecommunications network concession granted for the provision of local telephone service, as well as national and international long-distance service, granted for a 30-year period, expiring in 2026. (*)
- Public telecommunications network concession granted for the provision of point-to-multipoint microwave connection services, granted for a 20-year period, expiring in 2018. (*)

- Public telecommunications network concession granted for the provision of service for fixed or mobile wireless access, granted for a 20-year period, expiring in 2018. (*)

(*) In November 2016, the Company obtained authorization to consolidate these concession into the Sole Concession for commercial use.

- Public telecommunications network concession granted to Avantel, to offer local and international long-distance service for a 30-year period, expiring in 2025.

- Public telecommunications network concession granted to Avantel, to offer basic local telephone service for a 30-year period, expiring in 2029.

Concession under renewal

- In 1998, Alestra obtained two concessions for the use, leasing and exploitation of frequency band pertaining to the radio-electric spectrum to provide capacity to establish point-to-point microwave connections and three point-to-multipoint concessions covering Mexico City, Monterrey and Guadalajara. The concessions are for 20 years as from 1998 and are amortized based on said period by the straight-line method.

- Concessions for a number of frequencies pertaining to the radio-electric spectrum granted to Axtel in 1998 for a 20-year period, renewable for additional periods of 20 years, provided the Company meets all of its obligations and the new conditions set forth in the law, and agreements are reached with respect to any condition imposed by the Federal Telecommunications Institute (IFT from Spanish).

The Company provides services, under an added value plan, which are authorized independently from said concessions, such as: Internet access.

In this regard, the Company expects the concessions to be extended, for which the IFT will require payment in advance of the corresponding consideration, which will be set taking into account, among other criteria, the bandwidth of the frequencies of the radio-electric spectrum under concession, the geographic coverage of the concession and the services that can be provide in said bands.

The Company must comply with the new conditions issued in this regard by the IFT. Current conditions are:

i. Submitting a request at the IFT within a year prior to the start of the last fifth of the term of the concession;

ii. Meeting the licensee's obligations in the terms of the Federal Telecommunications and Radio Broadcasting Law (LFTR from Spanish) and other applicable regulations, and the concession title;

iii. Acceptance, by the Concession holder, of the new conditions for renewal thereof, as per the provisions of the IFT.

To date, the IFT has established no amount for the corresponding compensation, and has not yet determined the aforementioned conditions to be met. Revenue from concessions under renewal amounts to 8.4% of income for 2016.

During 2013, 2014 and 2015, the Company has submitted a request to the IFT to extend the concessions for the use and exploitation of frequency bands pertaining to the radio-electric spectrum. In the event said concessions are renewed, this will not be considered an additional period in the amortization of prior concessions.

It should be mentioned that this situation is not particular to the Company, but rather, of all licensees having obtained a concession for the use and exploitation of frequency bands pertaining to the radio-electric spectrum in 1998, 1999 and 2000.

Telecommunications network capacity consists of the right to use fiber optics, contracted with a private party on December 10, 2012 for a 10-year period.

One of the indefinite-life intangible assets held by the Company is goodwill, which has been assigned to the Business segment. The rest of its intangible assets are of defined life.

Of the $412,874 and $48,957 amortization expense, $53,224 and $41,838 was recorded in the cost of sales; and $359,649 and $7,119 in administration and sales expenses, in 2016 and 2015, respectively.

Impairment testing of goodwill

Goodwill is comprised of the value paid in excess of the book value of net assets and liabilities of $488,232, which were allocated to the business segment.

At the date of issuance of these financial statements, no signs of impairment have been identified.

Following are the percentages used for the companies' goodwill.

	S&C	G-Tel	Estratel
Estimated gross margin	20.0%	7.5%	24.0%
Growth rate	1.3%	3.3%	12.6%
Discount rate	5.5%	5.5%	5.5%

Disclosure of inventories [text block]

Inventories are analyzed as follows:

	December 31,	
	2016	2015
Materials and consumables	$ 109,145	$ 52,725
Other	243	344
	$ 109,388	$ 53,069

The cost of inventories applied to income and included in the cost of sales was of $207,441 and $197,173 for 2016 and 2015, respectively.

For the period at December 31, 2016 and 2015, damaged, slow-moving and obsolete inventory was recognized in the cost of sales in the amount of $558 and $12,047, respectively.

At December 31, 2016 and 2015 there were no inventories given in guarantee.

Disclosure of issued capital [text block]

At December 31, 2016, the Company's capital stock was $10,233,841 and was comprised of 19,229'939,531 Class "I", Series "B" common nominative shares, with no par value, entirely subscribed and paid in. At that date, all series "B" shares issued by the Company were placed in a trust (CPO Trust).

As a result of the merger mentioned in Note 2.1., the following, among other matters, were approved: a) issuance of 97,750,656 Class "I", Series "A" shares and 9,571,214,832 Class "I", Series "B" shares worth $3,464,252, which were subscribed by ALFA, to be subscribed by the Onexa, S. A. de C. V. shareholders, according to their shareholding interest in said company, as part of the price for the merger, when the merger went into effect, and b) issuance of 4,279,126 Class “I” Series A shares and 1,015,008,824 Class “I”, Series “B” shares, to held in the Company's treasury, free of preferred subscription rights, as these

shares were issued as part of the price of the merger, to be delivered to ALFA. If it becomes necessary, as per the adjustment that is the object of the transaction’s Confirmatory Agreement, without the need to make additional contributions, and will be considered paid as per the terms of said agreement. The shares held in the Company's treasury can not be represented or voted at shareholders’ meetings, and will confer no corporate or economic rights.

Following is an analysis of the effect of the merger on the company's shareholders’ equity:

	Capital stock	Fusion reserve	Total
Issuance of shares	$3,464,252	$ 3,385,870	$ 6,850,122 (*)
Difference between the fair value and shareholders’ equity of Onexa		(3,482,023)	(3,482,023)
Transfer to the reserve	(128,491)	128,491	-
Indemnification		(983,747)	(983,747)
Financial liability		(246,396)	(246,396)
	$3,335,761	($ 1,197,805)	$ 2,137,956

(*) Corresponds to the fair value of shares issued for merger mentioned in relevant events., taking into account the estimated unit price thereof at the date of the merger, which totaled $6,850,122.

During 2016, the $90,000 reserve set up for the repurchase of shares was canceled. Moreover, during 2016 and 2015, conversion options were exercised totaling $36,094, equivalent to 104,833,887 shares and $133,644 equivalent to 388,180,282 shares, respectively.

In light of the above, through agreements adopted at the July 21, 2016 extraordinary general shareholders’ meeting, the following matters among others, were approved: (i) the pertinent changes in capital stock arising from the conversions exercised or, if applicable, not exercised by the holders of the obligations convertible to shares; (ii) cancellation of 182’307,349 Class “I”, Series “B” shares, not subscribed or paid in, which had been deposited in the Company's treasury to backup conversion of convertible debentures, the holders of which exercised no conversion rights in this regard, or consequently, the authorized capital stock reduction; and (iii) consolidation in a single series of all shares currently comprising the capital stock, through conversion of the Series “A” shares to Series “B” shares, with the same characteristics as those current outstanding.

At December 31, 2015, the Company's capital stock was $6,861,986 and was comprised of 9,456,140,156 shares, entirely subscribed and paid in. The Company’s shares were divided into two classes: Class “I”, representing the minimum fixed portion of the capital stock, and Class “II” representing the variable portion of the capital stock. The shares pertaining to the two classes, “I” and “II”, offer their holders the same economic and corporate rights (the only different being those rights that can be conferred as per the applicable law, to the holders of shares that form part of the variable portion of a Variable Capital Publicly Traded Stock Company. Each of the classes had two series: Series “A” and “B”, both indistinct and providing their holders the same corporate and economic rights. The shares had no par value. Of the total number of shares, 97,750,656 were Class “I” Series A and 9,358,389,500 were Class Series B. At December 31, 2015, the Company had issued no Class “II” shares (either series “A” or series “B”). At December 31, 2015, all series “B” shares issued by the Company were placed in a trust (CPO Trust).

During the years ended Saturday, December 31, 2016 and 2015, the Company suffered net losses of $3,599,262 and $1,732,267, respectively. At December 31, 2016 and 2015, the Company showed an accumulated deficit of $8,486,561 and $111,074,524, respectively, and short-term liabilities in excess of current assets of $1,532,511 in 2016. At December 31, 2016, the Company had lost more than two thirds of its capital stock, a legal cause for dissolution, which any interested party may request be declared by the courts. However, the principal shareholders have expressed their intention to support the Company so as to allow it to continue in existence as a going-concern.

Net income for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock.

Dividends are not subject to income tax if paid from the after-tax earnings account (CUFIN from Spanish). Dividends in excess of the CUFIN are subject to 42.86% tax, when paid out. The tax incurred is payable by the Company and may be credited against income tax for the current year or for the following two years. Dividends paid from previously taxed profits are not subject to tax withholding or additional payments. At December 31, 2016, the tax value of the CUFIN and the value of the Capital Contributions Account (CUCA from Spanish) totaled $1,235,485 and $21,964,841, respectively.

In October 2013, the Senate and House of Representatives approved the issuance of a new Income Tax Law that went into effect on January 1, 2014. Among other aspects, this law establishes a 10% tax on earnings generated as from 2014, on dividends paid to residents in Mexico and abroad, and establishes that for the periods from 2001 to 2013, the net tax profit will be determined in the terms of the current Income Tax Law in the tax period in question. During November 2015, a temporary-validity article was issued, granting a tax incentive for individuals resident in Mexico subject to an additional 10% payment on distributed dividends or earnings. The incentives is applicable, provided said dividends or earnings were generated in 2014, 2015 and 2016, and were reinvested in the entity that generated said earnings, and consists of a tax credit equivalent to the amount arrived at by applying the percentage corresponding to the year of the distribution, to the dividend or earnings distributed, as shown below:

Year of distribution of the dividend or profit	Percentage of application to the dividend or distributed profit.
2017	1%
2018	2%
2019 onward	5%

The tax credit determined is only creditable against the additional 10% income tax that the entity is required to withhold and pay.

The following requirements must be met to apply the tax credit:

- The entity must identify, in its books of account, the records corresponding to the earnings or dividends generated in 2014, 2015 and 2016, as well as the respective distributions.

- In entity must disclose, in the notes to the financial statements, analytical information for the period in which the earnings were generated, or the dividends were reverted or distributed.

- Entities whose shares are not traded in the Mexican Stock Market and who apply this incentive must opt for having their financial statements audited for tax purposes in the terms of Article 32-A of the Federal Tax Code.

Entities distributing dividends or profits on shares placed among the general investing public must advise stock brokerage firms, credit institutions, investment operators, the parties distributing the shares of investment entities or any other securities market intermediaries of the period corresponding to the profits on which dividends are being paid, so that said intermediaries can withhold the respective tax.

According to the procedures established in the Income Tax Law, in the event of a capital reduction, any excess of shareholders' equity over the capital contributions account is accorded the same tax treatment as dividends.

Disclosure of liquidity risk [text block]

The Company's finance department e Company's liquidity requirements, ensuring that cash and investments in marketable securities are sufficient to meet operating needs.

The Company regularly monitors and makes its decisions based on not violating its limits or covenants established in its debt contracts. Projections consider Company financing plans, compliance with covenants, compliance with minimum internal liquidity ratios and legal or regulatory requirements.

Management's responsibility with respect to the liquidity risk corresponds to the Company's board of directors, which has established a general framework for proper handling of liquidity risk in the short, medium and long term. The Company manages liquidity risks, maintaining a proper level of reserves, use of credit lines from banks, and is vigilant of real and projected cash flows.

The following chart analyzes the Company's derivative and non-derivative financial liabilities grouped according to maturity from the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are required to understand the terms of the Company's cash flows.

The figures shown in the chart are the contractual cash flows not discounted.

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5+ years
December 31, 2016						
Current debt	$1,719,992	-	-	-	-	-
Suppliers, related parties and creditors	4,286,158	539,829	580,933	-		
Non-current debt	-	1,456,283	11,039,101	6,033,816	1,975,554	2,500,844
Financial leases	408,965	238,992	135,681	213	-	-

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5+ years
December 31, 2015						
Current debt	$1,203,000	-	-	-	-	-
Suppliers, related parties and creditors	3,254,257	-	-	-		
Current debt	-	1,906,966	1,006,732	2,756,149	9,860,087	-
Other non-current accounts payable		112,340	-	-	-	-
Financial leases	442,546	329,518	181,369	97,809	6	-
Convertible debt derivative instruments	65,222	-	-		-	-

The Company expects to meet its obligations with the cash flows provided by operations and/or cash flows provided by its main shareholders.

Disclosure of market risk [text block]

Market Risk

i. Exchange rate risk

The Company is exposed to the exchange risk arising from exposure of its currency, mainly with respect to the U.S. dollar. Axtel's indebtedness and part of its accounts payable are stated in U.S. dollars, which means that it is exposed to the risk of variations in the exchange rate of the peso to the dollar. The risk of fluctuations in the exchange rate involves changes in the value of the peso to the dollar.

The Company's interest expense on the dollar debt, stated in pesos in the Axtel consolidated financial statements, varies with the movements in the exchange rate. Depreciation of the peso gives rise to increases in the interest expense recorded in pesos.

The Company records exchange gains or losses when the peso appreciates or depreciates against the dollar. Due to the fact that the Company's monetary liabilities denominated in dollars have exceeded (and are expected to continue exceeding) Axtel's monetary assets stated in that same currency, depreciation of the peso to the dollar will give rise to exchange losses.

Based on exposure to the exchange rate at December 31, 2016, a hypothetical 5% increase/decrease in the MXN/USD exchange rate and maintaining all of the other variables constant, would result in an effect on the statement of income of ($541,790) and $515,990, respectively.

Following is an analysis of the Company's exposure to the exchange risk at December 31, 2016 and 2015. The accompanying table reflects the book value of the Company's monetary assets and liabilities denominated in a foreign currency:

	December 31,	
	2016	2015

Monetary assets	US$ 62,311	US$ 124,523
Monetary liabilities	(586,793)	(837,503)
Net position	(US$ 524,482)	(US$ 712,980)

ii. Interest rate risk and cash flow

The Company's interest rate risk is associated to its long-term loans. Variable rate loans expose the Company to interest rate risks on cash flows, which are partially offset by the cash held at variable rates. Fixed rate loans expose the Company to interest rate risks related to changes in fair value.

At December 31, 2016, 95% of Axtel's total debt generates variable interest, whereas the remaining 5% generates fixed interest rates.

The Company analyzes its exposure to interest rate risk dynamically. A number of scenarios are simulated, taking into account the refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on the annual result, of a change in the interest rate determined by each simulation, using the same change in the interest rate for all currencies. The scenarios are produced only for liabilities that represent the main positions that generate the highest interest.

Axtel's results and its cash flows can be impacted if additional financing is required in the future when interest rates are high with respect to the Company's current conditions.

At December 31, 2016, if interest rates on variable rate loans were increased/decreased by 1%, the interest expense shown in income would be modified by ($203,056) and $203,828 respectively.

Disclosure of objectives, policies and processes for managing capital [text block]

The Company's objectives, in managing capital, are to safeguard its capacity to continue operating as a going concern, so as to be able to continue providing its shareholders with yields and benefits to other interested parties, as well as to maintain an optimal capital structure to reduce capital costs.

In order to be able to maintain or adjust the capital structure, the Company can adjust the amount corresponding to dividends paid to the shareholders, return capital to the shareholders, issue new shares and sell assets to reduce the debt.

The Company's capital structure includes debt, which in turn includes bank loans, financial leases, cash and cash equivalents and shareholders' equity, which includes capital, retained earnings and reserves. Historically, the Company has invested substantial resources in capital goods to expand its operations, through reinvesting earnings. The Company has no policy in place for declaring dividends.

Axtel monitors its capital based on the degree of leverage. This percentage is calculated by dividing the Company's total debt, less cash and cash equivalents (net debt) by total shareholders' equity and the net debt.

The financial ratio of: net debt / total shareholders' equity plus the net debt, totals 88.34% and 73.87% at December 31, 2016 and 2015, respectively. The above gives rise to leverage that meets the Company's risk management policies.

Disclosure of other non-current assets [text block]

Other non-current assets:

	December 31,	
	2016	2015

Investment in shares of associated company	$ -	$ 8,212
Rental of Connections	51,311	65,878
Guarantee deposit	68,237	49,628
Other	85,757	4,080
Total other non-current assets	$ 205,305	$ 127,798

Disclosure of other operating income (expense) [text block]

Other income and expenses for the period at December 31, 2016 and 2015 is comprised as follows:

	Year ended December 31,	
	2016	2015
Merger-related expenses (1)	($ 835,200)	$ -
Disposals of property, plant and equipment due to damage and obsolescence	(52,795)	-
(Loss) profit on sale of property, plant and equipment	(4,483)	113,734
Other income (expenses), net	54,749	(551,055)
Total other expenses, net	$ 837,729	$ 437,321

Corresponds mainly to $514,630 of staff compensation, $137,300 to adoption of the retirement benefit plan and $183,270 to other merger-related expenses (mainly fees for professional services).

Disclosure of property, plant and equipment [text block]

Property, plant and equipment:

Movements of property, plant and equipment for the period at December 31, 2016 and 2015 are analyzed as follows:

	Depreciable assets						Non-depreciable assets		
	Buildings	Tele-communications network	Office equipment	Computer equipment	Transportation equipment	Lease-hold improvements	Land	Investments in process	Total
For the period ended Thursday, December 31, 2015									
Net book value	$ 113,289	$ 9,291,648	$ 61,835	$ 2,209,728	$ 29,589	$ 77,248	$ 167,331	$ 1,010,874	$ 12,961,5
Additions	-	846,170	42		2,410	-	-	1,985,452	2,834,0
Transfers	-	1,679,472	3,051	153,436	19,654	21,615	-	(1,877,228)	
Disposals	-	(14,975)		(74)	(227)	-	-	(813)	(16,0
Depreciation charges recognized in the year	(14,286)	(2,384,172)	(15,396)	(111,562)	(16,795)	(21,137)	-	-	(2,563,3
Ending balance	$ 99,003	$ 9,418,143	$ 49,532	$ 2,251,528	$ 34,631	$ 77,726	$ 167,331	$ 1,118,285	$ 13,216,1
At December 31, 2015									
Cost	$ 263,659	$ 37,181,970	$ 260,627	$ 3,839,082	$ 374,327	$ 451,809	$ 167,331	$ 1,118,285	$ 43,657,0
Accumulated depreciation	(164,656)	(27,763,827)	(211,095)	(1,587,554)	(339,696)	(374,083)	-	-	(30,440,9
Ending balance	$ 99,003	$ 9,418,143	$ 49,532	$ 2,251,528	$ 34,631	$ 77,726	$ 167,331	$ 1,118,285	$ 13,216,1
For the period at December 31, 2016									
Net book value	$ 99,003	$ 9,418,143	$ 49,532	$ 2,251,528	$ 34,631	$ 77,726	$ 167,331	$ 1,118,285	$ 13,216,1
Merger-related acquisitions	719,865	4,550,467	43,965	189,656	16,167	45,110	314,305	690,045	6,569,5
Effect of conversion		3,292							3,2
Additions		620,061	44	8,277	2,901			2,753,883	3,385,1
Transfers	179,201	2,104,885	4,210	198,424	13,151	8,060	6	(2,507,937)	
Disposals	-	(100,405)	(2)	(665)	(2,486)	-	-	(34,492)	(138,0
Depreciation charges recognized in the year	(30,500)	(3,059,965)	(22,095)	(257,039)	(20,850)	(26,267)	-	-	(3,416,7
Ending balance	$ 967,569	$ 13,536,478	$ 75,654	$ 2,390,181	$ 43,514	$ 104,628	$ 481,642	$ 2,019,783	$ 19,619,4
At December 31, 2016									
Cost	$ 1,163,254	$ 53,627,218	$ 482,638	$ 4,665,963	$ 408,448	$ 587,635	$ 481,642	$ 2,019,783	$ 63,436,5
Accumulated depreciation	(195,685)	(40,090,739)	(406,984)	(2,275,782)	(364,934)	(483,006)	-	-	(43,817,1
Ending balance	$ 967,569	$ 13,536,479	$ 75,654	$ 2,390,181	$ 43,514	$ 104,628	$ 481,642	$ 2,019,783	$ 19,619,4

Assets under financial lease include the following amounts in which the Company acts as lessee:

	December 31,	
	2016	2015
Cost - capitalized financial leases	$ 1,370,389	$ 1,105,952
Accumulated depreciation	(675,255)	(324,633)
Carrying value, net	$ 695,134	$ 781,319

Projects in process mainly include telecommunications network equipment to extend the Company's infrastructure and the capitalization period thereof is approximately twelve months.

For the years ended December 31, 2016 and 2015, the Company capitalized $27,770 and $44,223, respectively, of loan costs related to rateable assets of $858,114 and $831,303. These amounts were capitalized based on an interest rate of 6.09% and 10.14%, respectively.

Of the depreciation expense for 2016 of $3,416,716 ($2,563,348 in 2015), $3,095,736 ($2,322,537 in 2015) was recorded in the cost of sales and in selling and administrative expenses of $320,980 ($240,811 in 2015).

Disclosure of provisions [text block]

	Litigation	Restructuring (1)	Other	Total
At December 31, 2014	$ -	$ -	$ -	$ -
Additions	-	89,000	101,100	190,100

Payments	-	-		-
At December 31, 2015	$	$ 89,000	$ 101,100	$ 190,100
Addition	$ 50,620	$ 514,600	$ -	$ 565,220
Additions under merger	-	31,937	-	31,937
Payments	-	(556,510)	(101,100)	(657,610)
At December 31, 2016	$ 50,620	$ 79,027	$ -	$ 129,647

Provisions at December 31, 2016 and 2015 are short term.

1. Provisions due to restructuring include indemnities to obtain efficiencies.

Disclosure of related party [text block]

The transactions with related parties for the year ended December 31, 2016 conducted at market values were as follows:

	December 31, 2016						
			Loans received from related parties				
	Accounts receivable	Accounts payable	Monto	Interest	Currency	Date of expiration DD/MM/YY	Interest rate
Holding company (2)	$	$ 246,396			MXN	07/14/17	N/A
Holding company			$ 413,280	$ 12,605	USD	07/15/17	3%
Holding company (1)		287,300			MXN	02/28/18	TIIE +2.25%
Holding company (1)		287,300			MXN	02/28/19	TIIE +2.25%
Holding company (1)		204,574			USD	02/28/18	TIIE +2.25%
Holding company (1)		204,574			USD	02/28/19	TIIE +2.25%
Affiliates	20,949	8,034	2,228	229	USD		Libor 3M+2,75%
Total	$ 20,949	$ 1,238,178	$ 415,508	$ 12,834			

Income from sales and other to related parties

	Year ended December 31, 2016			
	Services	Interest	Dividends	Other
Holding company	$	$	$	$
Affiliates	131,060			
Associated companies				
Total	$ 131,060	$	$	$

Cost of sales and other expenses with related parties.

Years ended December 31			
Interest	Administrative services	Other costs and expenses	Dividends paid

Holding company	$ 10,093	$ 2,317	$	$
Affiliated companies	1,458		31,287	
Associated companies				
Total	$ 11,551	$ 2,317	$ 31,287	$

Additionally, as mentioned in note 2a., during 2016, $809,793 was paid corresponding to obligations to do and not to do.

For the year ended December 31, 2016, compensation and benefits paid to the Company's main officers totaled $245,506 ($259,368 in 2015), comprised of base salary and benefits required by law, complemented by a program of variable compensation basically based on the Company's results and by the market value of ALFA shares.

The principal transactions with related parties for the years ended on December 31, 2015 are as follows:

Rent expense	$ 34,860
Installation service expenses	18,020
Other	2,705

Salaries payable to related parties at December 31, 2015 included in the Accounts payable line item are as follows:

Short-term accounts payable	
GEN Industrial, S. A. de C. V. *	$ 131
Neoris de México, S. A. de C. V. *	598
Total	$ 729

** Main administrative services.*

Disclosure of restricted cash and cash equivalents [text block]

The value of restricted cash is made up as follows:

	December 31,	
	2016	2015
Current	$ -	$ -
Non-current	153,040	-
Restricted cash	$ 153,040	$ -

Alestra filed a complaint with the Federal Telecommunications Institute (IFT from Spanish) in connection with a dispute on the resale interconnection rates established between Alestra and Telmex and Teléfonos del Norte (“Telnor”, a subsidiary of Telmex).

Restricted cash represents the trust balance over applicable disputes for 2008 and 2010 and is shown in the statement of financial position under Non-current assets.

Disclosure of summary of significant accounting policies [text block]

Following is a summary of the most significant accounting policies followed by the Company and its subsidiaries, which have been applied consistently in preparing its financial information in the years presented, unless otherwise specified.

The accompanying consolidated financial statements and their notes were authorized for issue on February 21, 2017.

Basis of preparation

The consolidated financial statements of Axtel, S. A. B. de C. V. and subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS include International Accounting Standard (IAS) currently in effect, as well as all related interpretations issued by the IFRS Interpretations Committee (IFRS-IC), including those previously issued by the Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared on the basis of historical cost.

Disclosure of trade and other payables [text block]

The Suppliers and other accounts payable line item is comprised as follows:

	December 31,	
Current	2016	2015
Suppliers	$ 3,183,091	$ 2,676,819
Related parties	680,546	-
Value added tax and other federal and local taxes payable (see Note 3)	990,198	582,066
Accrued expenses payable	668,917	577,438
Other	122,684	57,343
	$ 5,645,436	$ 3,893,666
Noncurrent:		
Other	$ -	$ 112,340
Related parties	985,975	-
Total	$ 985,975	$ 112,340

Disclosure of trade and other receivables [text block]

Trade receivables and other accounts receivable are comprised as follows:

	December 31,	
	2016	2015

Current:

Trade receivables	$ 5,049,799	$ 5,632,981
Allowance for impairment of trade receivables (1)	(1,920,753)	(3,178,325)
Trade receivables, net	3,129,046	2,454,656
Taxes recoverable	859,477	597,262
Advances to suppliers	-	52,648
Notes and other accounts receivable	57,354	103,699
Related parties	20,949	-
	$ 4,066,826	$ 3,208,265

Noncurrent:

Other account receivable	$ 8,642	$ 128,613

(1) Following is an analysis of the movements pertaining to the allowance for impairment of trade receivables:

	2016	2015
Initial balance (January 1)	$ 3,178,325	$ 3,021,130
Cancellation of accounts receivable (a)	(1,571,426)	-
Allowance for doubtful accounts for the year	209,930	154,621
Increase from merger	103,924	-
Effect of variations in exchange rates	-	2,574
Final balance (December 31)	$ 1,920,753	$ 3,178,325

To determine the recoverability of accounts receivable, the Company considers any change in the credit quality of account receivable from the date on which the credit is granted to the date of the financial statements. The credit risk concentration is moderate due to the number of customers and the fact that they are not related.

a. During 2016, the Company canceled $1,571,426 bad debts from customers that were already entirely impaired and reserved, as a result of which, said cancellation had no impact on the Company's financial position or results in 2016.

Trade receivables and account receivable include unimpaired past-due balances of $1,367,754 and $2,130,827 at December 31, 2016 and 2015, respectively.

	2016	2015
1 to 30 days	$ 284,656	$ 1,367,447
30 to 90 days	365,489	137,680
90 to 180 days	251,947	187,707
Over 180 days	465,662	437,793
	$ 1,367,754	$ 2,130,827

At December 31, 2016 and 2015, the maximum risk inherent to accounts receivable is their book value.

At December 31, 2016, customer credit quality, net of the allowance for impairment, is evaluated as follows:

	Massive
Low Risk < 60 days	$ 279,115
Medium Risk 61-180 days	43,072
High Risk > 180 days	149,401
	$ 471,588
	Business
Low Risk < 90 days	$ 1,121,811
Medium Risk 91-270 days	101,735
High Risk > 270 days	200,035
	$ 1,423,581
	Government
Low Risk < 180 days	$ 963,594
Medium Risk 181-360 days	164,960
High Risk > 360 days	105,324
	$ 1,233,878
Total	$ 3,129,047

[800600] Notes - List of accounting policies

Disclosure of summary of significant accounting policies [text block]

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The consolidated financial statements have been prepared on the basis of historical cost.

Description of accounting policy for depreciation expense [text block]

Depreciation is calculated by the straight-line method, separately considering each of their components, except for land not subject to depreciation. The average useful life of families of assets are as follows:

	Years
Buildings	40 - 60
Computer equipment	3 - 5
Transportation equipment	4
Office equipment	10
Telecommunications network	6 to 28

Description of accounting policy for derivative financial instruments and hedging [text block]

All derivative financial instruments contracted and identified, classified as fair value hedging or cash flow hedging for trading purposes, or market risk hedging, are recognized in the statement of financial position as assets and/or liabilities at fair value and are subsequently measured at fair value. Fair value is determined on the basis of recognized market prices and when they are not traded in the market, it is determined based on valuation techniques accepted in the financial sector, using inputs and variables observable in the market, such as interest rate and exchange rate curves obtained from reliable sources of information.

The fair value of derivative financial instruments used as hedging instruments is classified as a non-current asset or liability if maturity of the remaining hedge amount is over 12 months, and as a current asset or liability if maturity of the remaining hedge amount is under 12 months.

Derivative instruments hedges are contracted to cover risks and there is compliance with all coverage requirements. Designation is documented at the outset of the coverage operation, describing the purpose, the primary position, risks to be covered, types of derivatives and measurement of the effectiveness of the relationship, features, accounting recognition and the manner in which effectiveness is to be measured in the case of that operation.

Description of accounting policy for determining components of cash and cash equivalents [text block]

Cash and cash equivalents include cash on hand, bank deposits available for the operation and other high-liquidity short-term investments with original maturities of three months or less, all subject to immaterial risks of changes in value.

Description of accounting policy for earnings per share [text block]

Earnings per share are calculated dividing the earnings attributable to the shareholders by the weighted average of ordinary shares outstanding during the year. At December 31, 2016 and 2015, there are no effects of dilution per financial instrument potentially convertible to shares.

Description of accounting policy for employee benefits [text block]

The Company grants the following plans:

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan through which the Company pays fixed contributions to an entity on a separate basis. The Company has no legal or assumed obligation to pay additional contributions if the fund has insufficient assets to pay the benefits related to the services to all its employees in the current or past periods. Contributions are recognized as expenses arising from employee benefits at the date of the obligation to make the contribution.

Defined benefit plans:

A benefit plan is defined as the pension-related benefit amount to be received by an employee at retirement, usually reliant on one or more factors such as age, the number of years of service and compensation.

The liability recognized in the statement of financial position with respect to defined benefit plans is the present value of the defined benefit obligation at the date of the statement of financial position, along with the adjustments for unrecognized past services. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash flows using the discount rates, in accordance with IAS 19, denominated in the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related pension liability. The discount rate reflects the value of money over time but not the actuarial or investment risk. Additionally, the discount rate reflects no credit risk pertaining to the entity, or the risk that future experience could differ from the actuarial assumptions. The Company uses the government CETES rate as the discount rate.

Re-measurements of employee obligations are recorded directly in shareholders' equity under other components of comprehensive income in the year in which they occur.

The costs of past services are immediately recognized in the statement of income.

The current cost of services under the defined benefit plan, applied to income as an employee-benefit expense, unless it is included in the cost of an asset, reflects the increase in the defined benefit obligation stemming from the employee's service during the year. The benefit modifies layoffs and severance payments.

The net interest cost is calculated applying the discount rate for the net balance of defined benefit obligations. This cost is included in the employee benefits account in the statement of income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial hypotheses are charged or credited to shareholders' equity in “Other components of comprehensive income for the year” in the period in which they arise.

ii. Other post-employment benefits

The Company provides benefits such as post-employment medical care to its retired employees. The right to access said benefits generally depends on whether the employee worked up to the age of retirement and completed a minimum period of years of service. The expected cost of these benefits is recognized during the period services were provided, using the same criteria as those described for defined benefit plans.

iii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee voluntarily accepts the termination of the work relationship in exchange for these benefits. The Company recognizes termination benefits when there is a verifiable commitment to conclude the work relationship of certain employees and a formal detailed plan providing so and that can not be surrendered. If there is an offer promoting termination of the labor relationship voluntarily by the employees, the termination benefits are valued based on the expected number of employees estimated to accept said offer. Benefits paid in a term of 12 months after the period close are discounted at their present value.

iv. Short-term benefits

The Company provides short-term employee benefits, which can include, wages, salaries, annual bonuses and bonuses payable over the following 12 months. The Company recognizes a provision without discount, when is it contractually obligated or when the former practice has created an obligation.

v. Deferred employees' statutory profit-sharing (ESPS) and Bonuses

The Company recognizes a liability and an expenses corresponding to bonuses and employees' statutory profit sharing when it has a legal or assumed obligation to pay benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

Description of accounting policy for financial assets [text block]

Financial assets

The Company classifies its financial assets in the following categories: at fair value through income, loans and accounts receivable, investments held to maturity and available for sale. Classification depends on the intended purpose of the financial assets. Management determines the classification of its financial assets upon initial recognition thereof. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are initially recognized on a fair value basis. Transaction costs directly attributable to the acquisition or issuance of financial assets (other than financial assets at fair value with changes in income) are added or deducted from the fair value of financial assets, as applicable, in their initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value with changes in income are immediately applied to income.

Financial assets are canceled in their entirety when the right to receive related cash flows expires or is transferred and the Company has substantially transferred all of the risks and benefits inherent to ownership thereof, as well as control over the financial asset.

i. Financial assets at fair value through income

Financial assets at their fair value through income are financial assets held for trading. A financial asset is classified in this category is it was mainly acquired to be sold in the short-term. Derivative financial instruments are also classified as held for trade, unless they are designated as hedges.

Financial assets recorded at fair value through income are initially recognized at their fair value and transaction costs are recorded as expenses in the statement of income. Gains or losses arising from changes in the fair value of these assets are applied to income for the period in which they were incurred, in the Other expenses, net line item.

ii. Loans and accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determined payments that are not traded in an active market. They are included as current assets, except for maturities of over 12 months after the date of the statement of financial position. They are classified as non-current assets.

Loans and accounts receivable are initially valued at fair value, plus transaction costs incurred, and are subsequently recognized at amortized cost, using the effective interest rate method. When circumstances arise that indicate that receivables will not be collected in the amounts initially agreed or will but at a different term, said accounts receivable are impaired.

Description of accounting policy for financial liabilities [text block]

Financial liabilities that are not derivatives are initially recognized at their fair value and subsequently valued at their amortized cost by the effective interest method. Liabilities in this category are classified as current liabilities, if they are expected to the settled within the following 12 months; otherwise, they are classified as non-current.

Accounts payable are obligations to pay for goods or services either acquired or received from suppliers in the normal course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recorded at their amortized cost. Any differences between the amounts received (net of transaction costs) and the settlement value is recognized in the statement of income during the term of the loan, using the effective interest method.

Description of accounting policy for foreign currency translation [text block]

i. Functional and reporting currency

The amounts included in the financial statements of each of the Company's entities must be measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are shown in Mexican pesos, which is the Company's reporting currency. Note 4c. contains a description of the functional currency of the Company and its subsidiaries.

ii. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rate in effect on the transaction or valuation dates, when the amounts are re-measured. Exchange gains and losses resulting from settlement of said transactions and from conversion of monetary assets and liabilities denominated in a foreign currency at the closing exchange rates are recognized as exchange fluctuation in the statement of income, except for those deferred in the comprehensive income and which qualify as cash flow hedges.

The exchange differences in monetary assets classified as financial instruments at fair value with changes in income are recognized in the statement of income as part of the gain or loss in fair value.

iii. Consolidation of foreign subsidiaries

The financial statements of the subsidiary companies that maintain a recording currency other than the functional currency, were converted to the functional currency, as per the following procedure:

a. The balances shown for monetary assets and liabilities stated in the recording currency are converted at the closing exchange rates.

b. The historical balances of non-monetary assets and liabilities and of shareholders' equity converted to the functional currency are increased by the movements occurred during the period, which were converted at the historical exchange rates. Movements of non-monetary items recognized at fair value, occurring during the period and stated in the recording currency, are converted using the historical exchange rates at the date on which said fair value was determined.

c. Income, costs and expenses for the periods stated in the recording currency (euro), were converted at the historical exchange rates of the date on which they arose and were recognized in the statement of income, unless they originated from non-monetary items, in which case, the historical exchange rates of non-monetary items were used.

d. The exchange differences arising from conversion from the recording currency to the functional currency were recognized as income or expenses in the statement of income in the period in which they arose.

Following is a summary of the main accounting principles:

	Local currency unit in Mexican pesos			
	Exchange rate prevailing at the close of December 31,		Average annual exchange rate	
	2016	2015	2016	2015
US dollar United States	20.66	17.21	18.66	15.85

Description of accounting policy for functional currency [text block]

The amounts included in the financial statements of each of the Company's entities must be measured using the currency of the primary economic environment in which the entity operates (functional currency).

Description of accounting policy for impairment of financial assets [text block]

Impairment of financial instruments

a. Financial assets valued at their amortized cost

At the end of every reporting year, the Company evaluates whether or not there is objective evidence of impairment of each financial assets or group of financial assets. An impairment loss is recognized only if there is objective evidence of impairment resulting from one or more events occurring after initial recognition of the asset (a “loss event”) and provided the loss event or events have an impact on the estimated future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.

The aspects evaluated by the Company to determine whether or not there is objective evidence of impairment is:

- Significant financial difficulties of the issuer or debtor.
- Noncompliance with the contract, such as late payment of interest or principal.
- The Company's granting of a concession to the issuer or debtor as a result of the issuer's or debtor's financial difficulties not considered under other circumstances.
- The issuer or debtor is likely to declare bankruptcy or some other type of financial reorganization.
- The disappearance of an active market for the financial asset is due to financial difficulties.
- Verifiable information indicating that there is a quantifiable decrease in future estimated cash flows relative to a group of financial assets subsequent to initial recognition, although the decrease cannot yet the identified with individual financial assets, such as:

i. Adverse changes in the status of debtor payments on the group of assets.

ii. Domestic or local conditions related to noncompliance on the part of issuers of the group of assets.

Based on the aforementioned aspects, the Company evaluates the objective evidence of impairment, if any, the book value of the asset is decreased by said amount, and is recognized in the statement of income.

If the interest rate of a loan or investment held to maturity is variable, the discount rate to measure any impairment loss is the current effective interest rate determined according to the terms of the contract. Alternatively, the Company could determine the impairment of the asset considering its fair value determined on the basis of its current observable market price.

If the impairment loss is reduced in subsequent years due to objective verification of an event occurred subsequent to the date on which said impairment was recorded (such as an improvement in the debtor's credit rating), the reversal of the impairment loss is recorded in the statement of income.

Description of accounting policy for impairment of non-financial assets [text block]

Assets without an indefinite useful life, such as goodwill, are not subject to depreciation or amortizable, as well as to annual impairment testing. Assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. An impairment loss corresponds to the amount by which the carrying value of the non-financial asset exceeds its recovery value. Recovery value is the greater of the fair value of an asset less costs incurred for its sale and its value in use. For the purpose of evaluating impairment, assets are grouped in the minimum levels where there are identifiable cash flows separately (cash generating units). Non-financial long-lasting assets other than goodwill that have been impaired are reviewed for possible reversal of impairment on each reporting date.

Description of accounting policy for income tax [text block]

The income taxes caption in the statement of income represents the sum of currently-payable and deferred taxes on income.

The amount shown for income taxes reflected in the statement of income represents the tax incurred in the year, as well as the effects of deferred income taxes determined by the assets and liabilities method, applying the rate enacted or substantially enacted in effect at the date of the balance sheet where the Company operates and generate taxable income to total temporary differences resulting from comparing the book and tax values of assets and liabilities expected to apply when the deferred tax asset is realized or the deferred tax liability is settled, taking into account unamortized tax losses, if any, following an analysis of their recovery. The effect of changes in tax rates in effect is applied to income for the period in which said rate change is determined.

Management periodically evaluates the positions exercised in tax refunds with respect to the situations in which the applicable legislation is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

The deferred tax asset is recognized only when a future taxable profit is likely to exist against which temporary difference deductions can be used.

Deferred income taxes on temporary differences arising from investments in subsidiaries and associated companies are recognized, except when the reversal period of the temporary differences is controlled by Axtel and the temporary differences are unlikely to be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legal right and when the taxes are collected by the same tax authority.

Description of accounting policy for intangible assets and goodwill [text block]

Intangible assets are recognized when they are identifiable and provide future economic benefits and when there is control over those benefits.

Intangible assets are classified as follows:

i. Definite useful life - The definite useful life of an asset is recognized at cost, less accumulated amortization and impairment losses recognized. They are amortized by the straight-line method, according to the useful life, determined based on expected future economic benefits, and are subject to impairment testing when there is evidence of such.

Trademarks and licenses

Trademarks and licenses acquired individually are recognized at their historical cost. Trademarks and licenses acquired through business combinations are recognized at fair value at the acquisition date. Trademarks and licenses have an indefinite useful life and are recorded at cost, less their accumulated amortization. Amortization is calculated by the straight-line method to distribute the cost of trademarks and licenses based on the estimated useful lives.

The estimated useful lives of intangible assets with a finite useful life are summarized as follows:

	Years
Software and licenses	3 - 7
Concessions	20 - 30
Capacity of communications network	13
Other	4
Obligations to do and not to do	3
Trademarks	5
Customer relation	15

ii. Defined useful life - These intangible assets are not amortized and are subject to annual impairment testing. At December 31, 2016 and 2015, no factors have been determined that might limit the useful life of these intangible assets.

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Goodwill represents the acquisition cost of a subsidiary in excess of the Company's interest in the fair value of the identifiable net assets acquired, determined at the acquisition date and is not subject to amortization. Goodwill is shown in the Goodwill and intangible assets line item and is recognized at its cost, less accumulated impairment losses, which are not reserved. Gains or losses on the sale of an entity include the book value of goodwill relating to the entity sold.

For the purpose of substantiating impairment, goodwill generated in a business combination is allocated to each of the operating segments, which is expected to benefit from the synergies of the business combination. Each business segment to which goodwill is allocated represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

Goodwill impairment is tested annually, or more frequently if events or changes in circumstances indicate possible impairment. Goodwill book value is compared with the recoverable amount, which is the greater of the value in use and fair value, less the cost of sales. Impairment, if any, is recorded immediately as an expense and is not subsequently reversal in the future.

Intangible assets acquired in a business combination

An intangible asset acquired through a business combination is recognized at its fair value at the acquisition date. Subsequently, intangible assets acquired in a business acquisition of intellectual property, such as: trademarks, customer relations, intellectual property rights, obligations to do and not to do, among others, are recognized at their cost, less accumulated amortization and the accrued amount of impairment losses.

Description of accounting policy for investment in associates [text block]

Associated companies are those over which the Company has significant influence, but not control, generally from holding between 20% and 50% of the voting rights in the associated company. The Company's investment in associated companies includes the goodwill identified in the acquisition, net of accumulated impairment losses.

If equity in an associated company is reduced but significant influence is retained, only a portion of the amounts previously applied to comprehensive income will be reclassified to income for the year, when appropriate.

The Company's equity in the profits or losses of the associated company following the acquisition is recognized in the statement of income and its equity in the comprehensive results following the acquisition is recognized directly in other components of comprehensive income. Post-acquisition accumulated movements are adjusted against the book value of the investment. When the Company's equity in the associated company's losses is equal to or exceeds its equity in the associated company, including any unsecured account receivable, the Company does not recognize future losses, unless it has incurred obligations or has made payments on behalf of the associated company.

The Company assesses, at each reporting date, whether or not there is objective evidence that the investment in the associated company is impaired. If so, the Company calculates the impairment loss as the difference between the recoverable value of the associated company and its book value, and recognizes the amount in "Equity in losses of associated companies recognized by the equity method" in the statement of income.

The unrealized gains on transactions between the Company and its associated companies are eliminated according to the interest the Company has in each. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. In order to ensure consistency with Company policies, the associated companies' accounting policies have been modified.

When the Company ceases to have significant influence over an associated company, any difference between the fair value of the retained investment, including any consideration received from disposal of part of the equity, and the book value of the investment.

During 2016, the only associated company was Conectividad Inalámbrica 7 GHz, S. de R. L. de C. V. ("Conectividad Inalámbrica"), which was liquidated during the period. At December 31, 2015, the company had no associated companies.

Description of accounting policy for issued capital [text block]

Axtel's common stock is classified as capital stock under shareholders' equity. The incremental costs directly attributable to issuance of new shares are included in the capital as a deduction of the consideration received, net of taxes; however, the company has incurred no such costs.

Description of accounting policy for leases [text block]

Classification of leases as financial or operating depends on the substance of the transaction more so than the contract form.

Leasing, in which a significant portion of the risks and benefits pertaining to the property are retained by the lessor, is classified as straight leasing. Payments made under straight leasing (net of any incentive received from the lessor) are charged to the statement of income by the straight line method over the leasing period.

Leasing under which all the risks and rewards of ownership are transferred to the Company are classified as financial leases. Financial leases are capitalized at the outset of the lease at least between the fair value of the property under lease and the present value of minimum payments. If determination thereof is determined to be practical to discount minimum payments at their present value, the interest rate embedded in the lease is used; otherwise, the lease's incremental rate must be used. Any initial direct cost of the lease will be added to the original amount recognized as an asset.

Each payment on the lease is allocated between the liability and the financial charges, until a constant rate is reached in the current balance. The corresponding rent obligations are included in non-current debt, net of the financial charges. Financial cost interest is charged to income for the year during the lease period, with a view to producing a constant periodic interest rate in the remaining balance of the liability for each period. Property, plant and equipment acquired through financial leases is depreciated between the lesser of the useful lifetime of the asset and term of the lease.

Indefeasible Right of Use (IRU) leases are considered to qualify as financial leasing.

Description of accounting policy for measuring inventories [text block]

Inventories are shown at the lesser of its cost and net realization value. The cost of the products includes only the purchase price of the products. The net realization value is the selling price estimated in the normal course of the business, less the applicable corresponding variable selling costs. The cost is determined by the First-in, first-out (FIFO) method.

Physical inventory counts are conducted periodically and inventory records are adjusted according to the results of said counts. Historically, shortages have been immaterial, as the Company has implemented strict inventory control procedures.

Description of accounting policy for property, plant and equipment [text block]

The components of property, plant and equipment are recorded at their cost, less accumulated depreciation and the accrued amount corresponding to impairment losses. The cost includes expenses directly attributable to acquisition of the asset.

Subsequent costs are included in the book value of the asset or recognized as an asset separately, as appropriate, only when the Company is likely to obtain future economic benefits from the asset, and the cost of the component can be calculated reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the statement of income during the year in which they are incurred. Significant improvements are depreciated during the remaining useful lives of the related asset.

Depreciation is calculated by the straight-line method, separately considering each of their components, except for land not subject to depreciation. The average useful life of families of assets are as follows:

Years

Buildings	40 - 60
Computer equipment	3 - 5
Transportation equipment	4
Office equipment	10
Telecommunications network	6 to 28

Spares and parts for use at more than a year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Costs pertaining to general and specific loans, attributable to the acquisition, construction and production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are not capitalized to form part of the acquisition cost of said qualifying assets until such time as they are ready for their intended use or sale.

If the carrying value exceeds the estimated recovery value, impairment of an asset's carrying value is recognized and the asset is immediately recognized at its recovery value.

Assets classified as property, plant and equipment is tested for impairment when there are facts and circumstances that indicate there are signs of impairment. Impairment losses are recognized on the basis of the amount by which the book value of the assets exceeds their recovery value.

The residual value, useful life and method for depreciation of assets are reviewed, at least at the end of each reporting period and if expectations differ from prior estimates, the changes are recognized as a change in an accounting estimate.

Gains or losses on asset disposals are determined comparing the selling value and the carrying value and are recognized in the other expenses, net in the statement of income.

Description of accounting policy for provisions [text block]

Liability provisions represent a present legal obligation or a constructive obligation arising from past events, likely to require the use of resources to settle the obligation and the amount thereof has been reliably estimated. No provisions are recognized for future operating losses.

Provisions are measured at the present value of the expenses expected to be required to settle the obligation using a pre-tax rate that reflects current market conditions with respect to the value of money over time and of the specific risks of said obligation. The increase in the provision over time is recognized as an interest expense.

In the event of similar obligations, the probability of requiring the use of economic resources to settle said obligations is determined considering them as a whole. In such cases, the provision so estimated is recognized even though the probability of using of cash flows with respect to a specific item considered in the whole is remote.

Provisions for legal claims are recognized when the Company has a present obligation (legal or assumed) resulting from past events, likely to require the use of economic resources to settle the obligation and the amount thereof can be reliably estimated.

A reserve for restructuring is recognized when the Company has developed a formal detailed plan to conduct a restructuring, and a valid expectation is created among the affected parties, that the restructuring will take place, either for having started implementation of the plan or for having announced its main features thereof to the affected parties.

Description of accounting policy for recognition of revenue [text block]

Revenue is comprised of the fair value of the compensation received or to be received on the sale of goods and services during the normal course of operations. Revenue is shown net of the estimated amount of returns from customers, value added tax, discounts and after eliminating intercompany sales.

Revenue from both domestic and international outgoing and incoming long-distance service is recognized based on the number of minutes processed by the Company, is recognized at the month end close once the service has been provided and the risks and benefits have been transferred to the customer.

Revenue arising from the provision of pay television, interconnection, data transmission, Internet and local services is recognized as the services are rendered.

Installation income and corresponding costs are deferred and recognized as income during the period of the contract established with the customer.

Interest income is recognized when the economic benefits are likely to flow to the Company and the amount corresponding to income can be valued reliably, applying the effective interest rate.

The Company recognizes income provisions at the end of each month on the basis of the use and enjoyment of services provided by the Company, taking into account the type of customer, the type of transaction and the specifications set out in each agreement.

Income from the sale of goods and the provision of services, when each and every one of the following conditions are met:

- The risks and benefits of ownership are transferred.
- The amount of the revenue can be measured reasonably.
- Future economic benefits are likely to flow to the Company.
- The Company retains no implication related to the property or effective control of the goods sold.
- Costs incurred or to be incurred in connection with the transaction can be measured reliably.

Costs for the acquisition of subscribers are applied to income as they are incurred.

Advances from customers

Customer prepayments for pay television, interconnection, data transmission, Internet and local services are billed monthly and applied to income as Income for the period as the services are provided. The Company's deferred charges are recorded on the basis of the commitment to provide a service to the customers. Said service is applied to income as it is provided.

Description of accounting policy for restricted cash and cash equivalents [text block]

Cash, whose restrictions resulted in failure to meet the aforementioned definition of cash and cash equivalents, is shown in the line item shown separately in the statement of financial position and are excluded from cash and cash equivalents in the statement of cash flows.

Description of accounting policy for segment reporting [text block]

Segment reporting is presented consistently with the internal reports provided to the CEO, who is the highest authority for making operating decisions, assigning the resources and evaluating the operating segments’ yield.

Description of accounting policy for share-based payment transactions [text block]

The Company has compensation plans based on the market value of ALFA shares granted to certain Company directors. The conditions for granting the compensation to illegible executives includes, meeting certain metrics, such as the level of profits reached, at least 5 years seniority in the company, and others. ALFA’s Board of Directors has put together a Technical Committee to manage the plan. The board reviews the estimate of the liquidation in cash of this compensation at the year end. Payment of the plan is always subject to the discretion of ALFA management. The adjustments to said allowance are charged or credited to the statement of income.

The fair value of the amount payable to employees with respect to share-based payments, which are settled in cash, is recognized as an expense, with the corresponding increase in the liability, during the period of services required. The liability is included in the Other liabilities line item and is updated on each reporting date and at the settlement date. Changes, if any, in the fair value of the liability are recognized as a compensation expenses in the statement of income.

Description of accounting policy for subsidiaries [text block]

i. Subsidiaries

Subsidiaries are all entities over which the Company exercises control. The Company controls an entity when it is exposed or is entitled to variable yields arising from an interest in the entity and is capable of affecting yields through its power over the entity. When the Company's interest in the subsidiaries is under 100%, the interest attributed to the external shareholders is reflected as non-controlling interest.

The subsidiaries are consolidated in their entirety from the date on which control is transferred to the Company and up to the date on which said control is lost.

The accounting method used by the Company for business combinations is the acquisition method. The Company defines a business combination as a transaction in which control of a business is obtained and through which it has the power to direct and manage the activities relevant to the body of assets and liabilities pertaining to said business, for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to the investors.

The consideration transferred in the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Company. The consideration paid includes fair value of any asset or liability arising from a contingent consideration agreement. The identifiable assets acquired, the liabilities and contingent liabilities assumed in a combination of businesses are initially measured at their fair value on the acquisition date. The Company recognizes any non-controlling interest in the acquired entity based on the proportional part of the non-controlling interest in the acquired entity's identifiable net assets.

Acquisition-related costs related to the acquisition are recorded as expenses in the statement of income as they are incurred.

Goodwill is initially measured as the excess of the consideration paid and fair value of the non-controlling interest in the subsidiary acquired over the fair value of identifiable net assets and liabilities acquired. If the consideration transferred is below the fair value of the acquired subsidiary's net assets in a purchase at a bargain price, the difference is directly recognized in the consolidated statement of income.

The Company applies the accounting of the predecessor method for business combinations between entities under common control as from the date on which the transaction was conducted. The predecessor method consists of including the book value of the acquired entity, which includes goodwill recorded at the consolidated level with respect to the acquired entity. Any difference between the consideration paid by the Company and the book value of the net assets acquired at the subsidiary level is applied to capital.

Intercompany transactions and balances, as well as unrealized earnings from transactions between Axtel companies are eliminated in the preparation of the consolidated financial statements. Unrealized losses are eliminated. In order to ensure consistency with Company policies, the amounts reported of the subsidiaries have been modified when considered necessary.

At December 31, 2016 and 2015, the companies that comprise Axtel's consolidated financial statements are as follows:

Company	País	Shareholding percentage (%) 2016	2015	Functional currency
Axtel, S. A. B. de C. V. (Controlling company) (3)	México			Peso
Servicios Axtel, S. A. de C. V. (1)	México	100.00%	100.00%	Peso
Alestra Comunicación, S. de R. L. de C. V. (3) (d)	México	100.00%	100.00%	Peso
Avantel, S. de R. L. de C. V. ("Avantel")(3)	México	100.00%	100.00%	Peso
Telecom Network, Inc. (3)(4) (a)	USA	-%	100.00%	Dollar
Avantel Networks, S. A. de C. V.(3)(4) (b)	México	-%	100.00%	Peso
Axes Data, S. A. de C. V.(1) (4)	México	100.00%	100.00%	Peso
Contacto IP, S. A. de C. V. (1)	México	100.00%	100.00%	Peso
Instalaciones y Contrataciones, S. A. de C. V. (1)	México	100.00%	100.00%	Peso
Axtel Track, S. A. P. I. de C. V. (1) (c)	México	-%	100.00%	Peso
Alestra, S. de R. L. de C. V. ("Alestra") (3)	México	100.00%	-	Peso
Servicios Alestra, S. A. de C. V. (1)	México	99.98%	-	Peso
Ingeniería de Soluciones Alestra, S. A. de C. V. (1)	México	100.00%	-	Peso
Alestra USA, Inc. (2)(4)	USA	100.00%	-	Dollar
G-Tel Comunicación, S. A. P. I. de C. V. ("G-Tel") (3) (d)	México	-	-	Peso
S&C Constructores de Sistemas, S. A. de C. V. ("S&C")	México	100.00%	-	Peso
Alesre Insurance Pte, Ltd. (4)	Singapore	100.00%	-	Dollar
Cogeneración de Querétaro, S. A. de C. V. (1)	México	99.99%	-	Peso
Estrategias en Tecnología Corporativa, S. A. de C. V. ("Estratel")(3)	México	100.00%	-	Peso
Servicios Alestra TI, S. A. de C. V. (1)	México	99.90%	-	Peso

(a) Company liquidated on November 29, 2016.

(b) Company liquidated on September 21, 2016.

(c) Company liquidated on November 17, 2016.

(d) On July 25, 2016, the merger of G-Tel Comunicación, S. A. P. I. de C. V. into Alestra Comunicación, S. de R. L. de C. V., (formerly Avantel Infraestructura, S. de R. L. de C. V.) was agreed. This merger became effective on August 1, 2016.

1. Provider of administrative services.
2. Leasing of telecommunications and infrastructure equipment.
3. Provider of telecommunications services.
4. Company with no operations.

At December 31, 2016 and 2015, there are no restrictions in the subsidiaries over the Company's capability to use the assets or liquidate the liabilities.

Balances and operations between group companies have been eliminated in preparing the consolidated financial statements.

Description of accounting policy for termination benefits [text block]

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee voluntarily accepts the termination of the work relationship in exchange for these benefits. The Company recognizes termination benefits when there is a verifiable commitment to conclude the work relationship of certain employees and a formal detailed plan providing so and that can not be surrendered. If there is an offer promoting termination of the labor relationship voluntarily by the employees, the termination benefits are valued based on the expected number of employees estimated to accept said offer. Benefits paid in a term of 12 months after the period close are discounted at their present value.

Description of accounting policy for trade and other receivables [text block]

Accounts receivable are non-derivative financial assets with fixed or determined payments that are not traded in an active market. They are included as current assets, except for maturities of over 12 months after the date of the statement of financial position. They are classified as non-current assets.

Loans and accounts receivable are initially valued at fair value, plus transaction costs incurred, and are subsequently recognized at amortized cost, using the effective interest rate method. When circumstances arise that indicate that receivables will not be collected in the amounts initially agreed or will but at a different term, said accounts receivable are impaired.

Description of other accounting policies relevant to understanding of financial statements [text block]

Prepayments

Prepayments mainly comprise insurance and prepayments to service providers. The amounts are recorded on the basis of contractual values and are recorded monthly in the statement of income over the lifetime of the corresponding prepayment: the amount corresponding to the proportion to be considered over the following 12 months is shown under current assets and the remaining amount is shown under non-current assets.

Comprehensive income

Comprehensive income is comprised of net income, plus other capital reserves, net of taxes, which are comprised of the effects of conversion of foreign entities, re-measurement of obligations arising from employee benefits, the effects of the change in fair value of financial instruments available for sale, as well as other items required by specific provisions to be reflected in shareholders' equity and which do not constitute capital contributions, reductions or distributions.

Reclassifications

Certain reclassifications have been made of 2015 figures to ensure they are in line with the current presentation.

[813000] Notes - Interim financial reporting

Disclosure of interim financial reporting [text block]

See note 800500 List of notes

Description of significant events and transactions

See note 800500 List of notes

Description of accounting policies and methods of computation followed in interim financial statements [text block]

See note 800600 List of accounting policies

Explanation of seasonality or cyclicality of interim operations

Does not apply

Explanation of nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature size or incidence

See note 800500 List of notes

Explanation of nature and amount of changes in estimates of amounts reported in prior interim periods or prior financial years

See note 800500 List of notes

Explanation of issues, repurchases and repayments of debt and equity securities

Does not apply

Dividends paid, ordinary shares

0

Dividends paid, other shares

0

Dividends paid, ordinary shares per share

0

Dividends paid, other shares per share

0

Explanation of events after interim period that have not been reflected

Does not apply

Explanation of effect of changes in composition of entity during interim period

See note 800500 List of notes

Description of compliance with IFRSs if applied for interim financial report

See note 800500 List of notes

Description of nature and amount of change in estimate during final interim period

See note 800500 List of notes