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 first quarter results ended March 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. On February 15th, the merger of Axtel and Alestra became effective, creating a new entity with stronger capabilities to serve the enterprise, government and mass market segments with an ample portfolio of telecommunications and information technology solutions. Through this merger, Axtel became a subsidiary of ALFA and Alestra a subsidiary of Axtel.
- v. The implementation of the post-merger integration plan is progressing as expected. The new organizational structure is already in place and the different initiatives to materialize EBITDA and Capex synergies are being rapidly implemented. The full benefit of these synergies will be reflected in 2017 results, as non-recurring expenses incurred to capture these synergies offset the benefit obtained in 2016.
- v. In recent days, the syndication of the $750 million credit facility used to refinance the 2017, 2019 and 2020 Senior Notes was successfully closed. The transaction was well received and the amount was increased to $835 million, using $85 million to refinance short-term debt. Approximately 40% of the credit facility is denominated in pesos, reducing Axtel's exposure to exchange rate risk.

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.

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 offers through its brands Alestra (Enterprise and government services) and Axtel (residential and small businesses). With a network infrastructure of over 39 thousand kilometers and more than 6 thousand square meters of data center, Axtel enables organizations to be more productive and bring 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

Disclosure of nature of business [text block]

Market under the symbol "AXTELCPO" since 2005.

Visit AXTEL's Investor Relations Center at 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 high-value segments in the residential, business, corporate, financial and government areas. Consistent with this goal, five business strategies were identified: (1) focus on growth in high speed broadband and ICT services with differentiated products, (2) gain market share in selected segments of high-value customers, (3) compete with quality of service differentiation, innovation and commercial creativity, (4) re-orient the culture towards greater productivity and profitability in the operation of assets and (5) 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 high-usage 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.

The key elements of Axtel's business strategy are the following:

a. **Focus on high speed broadband and differentiated ICT service solutions**

Axtel offers high speed broadband services of up to 200 symmetrical megabytes per second ("Mbps") to mass market customers in Mexico. Axtel's objective is to provide integrated voice, internet services and pay television at speeds that its competitors are not able to offer, satisfying the growing demand for this type of services both in the residential and small and medium enterprise ("SME") segments. Additionally, the Company is focusing its efforts on strengthening its skills in a number of services, among others, cloud services, security, data centers, contact centers and managed and hosted solutions. Such services are offered in an integrated manner together with other traditional telecommunications services such as dedicated links, VPNs and frame-relays, among others, tailoring integrated solutions to the needs of its customers. This will allow the Company to offer more comprehensive differentiated solutions for its customers which the

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

Company believes will increase profitability by combining infrastructure-based services based on skills and expertise. For SMEs, there are a number of standardized solutions that are offered. For large corporate accounts and government accounts, we customize the design of our solutions to the customer's requirements.

b. **Target selected high-value residential and enterprise customer segments**

The Company focuses commercial efforts and investments in two core segments: mass market, which includes residential customers and small and micro businesses; and the business segment that includes medium and large enterprises, including federal government entities, financial institutions, multinational corporations and wholesale customers. In the mass market, Axtel is focused on being the provider of choice of high-speed broadband-related services and value-added solutions to the high-high, high-low and medium-high consumer segments (as defined by Mexico's *Procuraduría Federal del Consumidor*), thus differentiating from the competition by service quality, not price, generating strong customer satisfaction. With respect to business segments including local, state and federal government entities, efforts are focused on delivering a wide array of services, incorporating selected ICT solutions, such as cloud services, security, data centers, contact centers and managed services, among others. These services are offered in an integrated manner with conventional or infrastructure-based telecommunication services by adapting the solutions to the needs of our customers. The Company has developed customized service plans to attract business customers and maintain residential customers of high consumption in each market segment. Axtel believes that focusing on business and residential customers of high value or consumption within its coverage allows it to increase the return on each invested Peso in its network infrastructure.

c. **Compete based on quality of service and innovative product offerings**

The Company aims to continue growing its network with new and better technologies available and to adapt its existing network infrastructure to the market and customers' needs with the purpose of actively participating in the technological convergence of voice, data, cloud, mobility and video. Following this strategy, Axtel has achieved a leadership position in the broadband segment in Mexico by introducing innovative products and offerings such as "Axtel X-tremo," a high-speed internet service that offers speeds up to 200 symmetrical Mbps and provides customers with the same bandwidth or speed for uploading and downloading data. Axtel X-tremo uses Axtel's fiber optic network in Mexico City, Monterrey, Guadalajara, Puebla, Aguascalientes, San Luis Potosi, Queretaro, Leon, Juarez and Toluca. The Fiber optic network, introduced for the first time in Mexico by Axtel, enables the client to receive telephony services, internet and television via optical fiber delivered directly to its home or business, known as FTTH. The ability to offer FTTH-based services positions Mexico at a level of internet speeds that is comparable to that of the most advanced countries in the world. Users are able to access applications that require high bandwidth, such as streaming high-definition video, using multimedia applications or downloading large files, and experience fast delivery and high quality. Axtel's fiber optic network, deployment of which is ongoing, also provides Axtel with the infrastructure through which a greater number of ICT services can be offered, thus meeting the growing demands of such market. The Company believes that focusing on innovation and customer service provides clients with a high quality experience and therefore a higher satisfaction.

d. **Re-orient Company culture towards greater productivity and profitability in the operation of**

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

its assets

The Company believes that packaging voice, data, internet and video services to provide communication solutions for its customers will allow it to generate higher revenues per customer, higher revenues per Peso invested in its access infrastructure and greater customer loyalty, thereby increasing the productivity and profitability of the Company's fiber or FTTH network. During 2014, Axtel consolidated its "Axtel Xtremo" offer which is a high speed internet, telephone and pay television-package service that allows the customer to order 6 to 200 Mbps of symmetrical internet bandwidth or speed through FTTH. Additionally, the service includes unlimited local service and, depending on the selected package, it may include unlimited LD minutes to United States and Canada. The customer may select the package that best suits its needs and usability, and moreover it has the option to customize the package by adding additional lines and modules of fixed-to-mobile and long distance minutes.

Regarding WiMAX and other wireless technologies, while the Company is not investing in additional capacity, its objective is to maintain pricing and service at levels that allow the Company to extract as much value as possible from these assets. Axtel intends to continue providing its WiMAX-based "Acceso Universal" packages for mass market customers with lower broadband needs through which the client can access good quality voice and data services of speeds from 0.5 to 2 Mbps.

e. **Improve operating efficiency**

The Company is continuously seeking to optimize the operation and maintenance of its network and analyzing which non-core administrative and operating services should be outsourced. To increase efficiencies in the deployment of its fiber network, the Company continually evaluates opportunities to expand its coverage areas and to strengthen its ability to gain new large customers with multi-regional needs resulting in higher revenues and improved margins that, over time, should help reduce its capital investments. Currently, the Company is increasing its fiber network presence in cities where Axtel is already present that represent greater synergies and operating efficiencies. To achieve the selective expansion of services and network coverage, the Company may participate in strategic transactions with other telephony, video, internet and/or value-added service providers. Moreover, the Company has different operating models for different cities; cities representing a greater amount of income for the Company have more dedicated resources, such as personnel, offices and warehouse space.

Additionally, with the active participation of over 200 employees, Axtel continued its quality program through Lean Six Sigma projects and continuous improvement groups embedded in core operations, all of them focusing in customer service, productivity and quality of service offered. This program positions Axtel as a best practices reference in the industry. Additionally, the Company also kept its ability to deliver ICT managed services and operate under an integrated management system ISO 9001:2008, ISO 20000-1:2011 and ISO 27001:2005 within an Advanced Services Center. The scope of the management system of Axtel IT Governance includes the activities required to deliver quality services to customers, by ensuring availability, integrity, confidentiality of information, a working philosophy based on continuous improvement of our processes and service reliability within an IT governance framework.

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

Risk Factors

a. *Risks Related to the Company*

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

Since our incorporation in 1994 and as of December 31, 2014, we have incurred a cumulative net loss of Ps. 1,757 million. In previous periods, such as year 2012, 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 completed in January 2013 and the additional exchange offers and debt offerings completed in December 2013 and September 2014. 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.

In 2014, the Company recorded an increase in revenues and Adjusted EBITDA of 3% and 5%, respectively, as compared to the same period in 2013 due to an increase in international traffic and internet and video services. No assurance can be given that such increases will continue in the future and if they do not, our results of operations and financial condition could be materially adversely affected. In 2014, Axtel recorded an operating loss of Ps. 500 million, compared to operating income of Ps. 2,687 million in 2013. The operating income in 2013 was mainly due to proceeds from the tower sale in January 2013. We had Adjusted EBITDA generation of Ps. 3,023 million and Ps. 2,872 million for 2014 and 2013, respectively, and financial ratios with net debt (i.e., total debt net of cash and cash equivalents) to Adjusted EBITDA of 2.7x and 2.3x for December 31, 2014 and 2013, respectively, and Adjusted EBITDA to interest expense of 3.4x and 3.3x for the twelve month period ended December 31, 2014 and 2013, respectively.

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

As of December 31, 2014, our total debt and accrued interest were Ps. 10,996 and Ps. 459 million, respectively. 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.

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

We may require additional financing in the future to fund our operations. We operate a capital intensive business. Since our inception and as of December 31, 2014, we have invested Ps. 40,885 million in building our infrastructure. We expect to make additional investments in future years as we selectively expand our network into new technologies and other areas of Mexico in order to exploit market opportunities as well as to maintain our existing network and facilities. In addition, 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 terms acceptable to us. 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.

Since our incorporation and through December 31, 2014, we have invested Ps. 40,885 million 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. We also anticipate that, in addition to maintaining a strict control on the administration of the business, the continued growth will require us to attract and retain qualified personnel to efficiently manage such growth. If we are unable to meet the challenges that our growth presents, our results of operations and financial condition could be adversely affected.

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

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

effect on our business and results of operations.

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

Sales to Banco Nacional de México S.A. and its Mexican affiliates (collectively "Banamex"), our largest corporate customer, accounted for 5.9% of our total revenues in 2014. The loss of an important customer such as Banamex could adversely affect our business, financial condition, revenues and results of operations. No other customer represented more than 5% of our total revenues during 2014.

We 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.

In recent years, we have not increased prices for local and long distance services to our customers and, in certain cases, we have lowered prices. If there are further declines in the price of telecommunication services in Mexico, we will be forced to competitively react to those price declines by lowering our prices or risk losing market share, which would adversely affect our operating results and financial position.

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. In addition, Telmex's nationwide network and concessions, as well as its established and long-standing customer base, give it a substantial competitive advantage over us.

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

The potential divestiture by América Móvil of certain of its assets and/or operations in Mexico is likely to cause additional competitors to enter the Mexican telecommunications market which could have a material adverse effect on our business, results of operations and prospects.

América Móvil, 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 América Móvil divests assets, it is likely to do so to one or more non-Mexican large telecommunications companies. The entry of one or more additional telecommunications providers in the Mexican market (who may have significantly greater financial resources than Axtel) will generate further competitive pressure and may force existing providers, including Axtel, to reduce prices and/or provide additional services for the same price, which would adversely affect our business, operating results and financial position. Additionally, the uncertainty around the timing of any divestitures by América Móvil, which assets will be divested and the identity of potential buyers will create uncertainties as to what the Mexican telecommunications industry, and particularly Axtel, will look like in the future, which could affect the perception and positioning of Axtel with existing and potential new customers, banks, suppliers and other third parties with whom we do business, which could make our business and financial relationships with these third parties more difficult and negatively affect our business, operating results and financial position.

Delays in the implementation and availability of new technologies or service access networks could adversely affect Axtel's 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.

An increase in future interconnection rates or in interconnection rates applicable to past years could have a material adverse effect on our results of operations.

IFT is in the process of resolving interconnection disputes between the Company and the mobile operators for years between 2008 and 2011 and could decide to establish higher interconnection rates compared to those rates effectively paid by Axtel to such mobile operators. If IFT confirms the applicability of higher interconnection rates, Axtel may be obligated to reimburse to such mobile operators an approximate amount of up to Ps 2,251 million. An adverse ruling from IFT could have a material adverse effect on our business and results of operations.

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

However, in March 2015, the Company entered into several agreements with Telcel, Iusacel and Unefon, which resulted in a significant reduction in the risk in case of an adverse ruling of IFT or a judicial authority, adjusting the previously mentioned amount to approximately Ps. 777 million.

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 senior management team, in particular our president and chief executive officer, Tomas Milmo Santos. Our senior management team has extensive experience in the industry and is vital in maintaining some of our major customer relationships, which might be difficult to replace. The loss of the technical knowledge, management and industry expertise of these key employees could make it difficult for us to execute our business plan effectively and could result in delays in new products being developed, loss of customers and diversion of resources while we seek replacements.

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.

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

We depend on Telmex for interconnection and we may be forced to pay higher interconnection fees for the years 2009 to 2014, which could have an adverse effect on our results of operations.

Telmex exerts significant influence on all aspects of the telecommunications markets in Mexico, including interconnection agreements. We use Telmex's network to terminate the vast majority of our customers' calls. The interconnection agreement between Axtel and Telmex expired on December 31, 2008. The contract contains provisions for its continuous application; if the agreement expires without an express extension agreed to by the parties, the agreement explicitly contemplates an automatic extension until both parties mutually agree to extend the expired agreement or execute a new interconnection agreement. For years 2009 to 2014, Cofetel has issued a resolution establishing interconnection rates for such years, which resolution has been challenged by Telmex before the Federal Court of Tax and Administrative Justice. If Telmex obtains a favorable resolution, the Company may be obligated to pay Telmex higher interconnection rates compared to those rates effectively paid to Telmex for such years. The Company has estimated the contingency in an approximate amount of up to Ps. 1,240 million. Final rulings are expected in the first half of 2015 which rulings, if against Axtel, could have an adverse effect on our results of operations.

Notwithstanding the foregoing, on March 8, 2013, Alestra obtained a favorable resolution of the Thirteenth Collegiate Court in Administrative Matters of the First Court against Telmex, establishing interconnection rates for long distance termination for year 2009, resulting in better tariffs than those offered by Telmex to Axtel in its interconnection agreement. Consequently, and considering that in the interconnection service agreement celebrated by Axtel and Telmex, the Parties settled the obligation for Telmex to offer better conditions to the service provider when a final resolution or sentence from a Court or a competent authority has set interconnection tariffs which results in better conditions than the ones agreed by the Parties in the interconnection service agreement, additionally, the Parties also agreed that the new tariffs offering better conditions for the service provider shall be immediately applicable. Thus, the contingency established in the paragraph above, would be reduced by an estimate of Ps. 772 million, resulting in an estimated amount of Ps. 467 million.

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

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

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.

A system failure could cause delays or interruptions of service, which could cause us to lose customers.

To be successful, we will need to continue to provide our customers reliable service over our network. Some of the risks to our network and infrastructure include:

- physical damage to access lines;
- power surges or outages;
- software defects; and
- disruptions beyond our control.

Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers and incur additional expenses.

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

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

in the event of natural disasters, war, significant public disturbance or threats to internal peace or for other reasons relating to economic or public order.

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. With respect to those geographical areas in which we were required to provide such services by December 31, 2014, we have complied with such coverage requirements. 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

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

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 face increased competition for residential customers.

Competition from established telecom companies targeting residential customers has increased in recent years and now includes former video-only companies like Megacable and Televisa Cable Companies, which has increased and may continue to increase competitive pressure in the market. As of December 31, 2014, we had 605,000 customers in service, compared to 640,000 as of December 31, 2013 and 709,000 as of December 31, 2012. An erosion of margins, continued decline in the number of customers in service, failure to attract new customers, or an increase in existing customer's attrition ratio, or churn, or any combination of these elements, could lead to a significant loss of revenue and lower operating income.

We generate significant revenues from wholesale services and if volume, prices or margins of such services decline, our results of operations may be materially adversely affected.

Price and margins for international traffic have declined significantly due to competitive pressure. Gross margin increased in 2014, however gross margin declined 70% in 2013 and 72% in 2012. If this situation is repeated in other wholesale services and we are unable to replace lost revenues with revenues from enterprise or residential customers, such developments could have a material adverse effect on our business, financial condition and results of operations.

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 associated with the 2017, 2019 and 2020 Notes. 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

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

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. As of December 31, 2014, we had 321 thousand customers connected with WiMAX-based technology, which is capable of providing up to 2 Mbps. WiMAX technology was originally developed by Motorola, which sold the technology to Nokia-Siemens Networks who, in 2011, sold the technology to NewNet. We do not expect its current owner to invest materially in further developments to upgrade its capabilities. 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. Our average monthly churn rate has been stable during the twelve month period ended December 31, 2014 at approximately 1.6%. Our churn rate mainly results from customer deactivations due to non-payment of bills. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impaired. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our residential customers.

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

Restrictive covenants in the indenture of our Senior Notes may restrict our ability to pursue our business strategies.

The indenture governing the 2020 Notes limit our ability, among other things, to:

- incur additional indebtedness or contingent obligations;
- pay dividends or make distributions to our stockholders;
- repurchase or redeem our stock;
- make investments;
- use cash flows from receivables that secure our receivables-based credit facilities;
- grant liens;
- make capital expenditures;
- enter into transactions with our stockholders and affiliates;
- sell assets; and
- acquire the assets of, or merge or consolidate with, other companies.

In addition, the indenture governing the 2020 Notes requires us to maintain certain financial ratios. These financial ratios include a maximum total leverage ratio. We may not be able to maintain these ratios in the future. Covenants in the indenture governing the 2020 Notes may also impair our ability to finance future operations or capital needs or joint ventures or engage in other favorable business activities.

If we default under the indenture, the bondholders could require immediate repayment of the entire principal amount of such debt. If those lenders require immediate repayment, we will not be able to repay the 2020 Notes in full.

b. ***Risks Relating to Our Indebtedness and Possible Bankruptcy.***

Axtel and its subsidiary guarantors may incur substantially more debt, which could further exacerbate the risks associated with the indebtedness.

We may be able to incur substantial additional debt in the future. Although the agreements governing our and our subsidiary guarantors' outstanding indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Adding new debt to our current indebtedness levels would increase our leverage. The related risks that we now face could intensify.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

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

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and research and development efforts will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

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

The agreements governing our and our subsidiary guarantors' outstanding indebtedness limit, among other things, our ability and the ability of our restricted subsidiaries to:

- borrow money or issue guarantees;
- pay dividends, redeem capital stock or make other restricted payments;
- create liens to secure indebtedness;
- make certain investments;
- sell certain assets;
- pledge assets;
- participate in joint-venture agreements;
- enter into transactions with our affiliates; and
- merge with another entity or sell substantially all of our assets.

Our future indebtedness agreements may contain additional affirmative and negative covenants which could be more restrictive than those contained in the instruments governing our existing indebtedness.

c. *Risks Relating to the Mexican Telecommunications Industry*

We 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.

If the Mexican government grants more concessions or amends existing concessions, the value of our concessions could be severely impaired.

The Mexican government regulates the telecommunications industry. Our concessions are not exclusive and the Mexican government has granted and has discretion to grant additional concessions covering the same geographic regions. We cannot assure you that additional concessions to provide services similar to those

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

we provide will not be granted and that the value of our concessions and competition levels will not be adversely affected as a result.

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.

d. *Risks Relating to Mexico*

Our business and customers may be negatively affected by the uncertainty that currently exists globally and that may be reflected in a significant manner in Mexico.

The market and economic conditions in Mexico, as well as the financial condition and results of operations of the Company are affected by macroeconomic conditions. The recent deterioration in economic conditions of certain European countries, the decrease in oil prices and depreciation of the Mexican peso relative to the U.S. dollar, have caused extreme volatility in the credit and capital markets and debt. If the deterioration of the economies continues in these European countries, or if the Mexican peso depreciates further relative to the U.S. dollar, we could face deterioration in our financial condition, a decrease in demand for our services and involvement of our customers and suppliers. The effects of the current situation are very difficult to

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

predict and mitigate.

Health epidemics and other outbreaks in Mexico may affect our business operations.

Our business could be adversely affected by the effects of avian flu, severe acute respiratory syndrome, SARS, H1N1 flu or another epidemic or outbreak. Any prolonged occurrence or recurrence of avian flu, SARS, H1N1 flu or other adverse public health developments in Mexico may have a material adverse effect on our business operations. Our operations may be impacted by a number of health-related factors, including, among other things, quarantines or closures of our facilities and developments which could disrupt our operations, and a general slowdown in the Mexican economy. Any of the foregoing events or other unforeseen consequences of public health problems could adversely affect our business and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreaks or any other epidemic.

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.

According to INEGI estimates, in 2011, GDP increased by 4.0% and inflation reached 3.8%. In 2012 GDP increased by 4.0% and inflation reached 3.6%. In 2013, GDP increased 1.4% and inflation reached 4.0%. Finally, in 2014, GDP increased 2.1% and inflation reached 4.1%.

Mexico has had stable nominal and real interest rates for the past four years. The rate on 28-day CETES averaged approximately 4.2%, 4.2%, 3.8% and 3.0% for 2011, 2012, 2013 and 2014. Relative to the U.S. dollar, the peso appreciated depreciated 11.7% in 2011, appreciated 7.5% in 2012, depreciated 0.5% in 2013 and depreciated 11.2% in 2014 in nominal terms.

Political events in Mexico may affect our operations.

Failure and delay of political and economic reforms, caused by the differences between the legislative and

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

federal powers, different policy objectives of each parliamentary group and differences in priorities between the agendas of parties, have been the norm in Mexico in the last few years. The aforementioned has resulted in the reluctance of these political actors to build the agreements that Mexico require on the economic, industrial and security sectors, among others. The lack of political agreement on the material reforms required by Mexico and a potential deterioration in relations between the various political parties and between federal legislative powers could have an adverse effect on Mexico's economy and therefore affect the revenue and profit our business.

Social and political instability as well as insecurity in Mexico or other adverse social or political developments in or affecting Mexico could adversely affect our business, financial condition and result of operations, as well as market conditions and prices for our securities. These and other future developments in the Mexican political or social environment may cause disruptions to our business operations and decreases in our sales and net income.

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.

Violence and crime associated with activities of drug cartels in Mexico could adversely affect the Mexican economy, our business, financial condition, results of operations and prospects.

Mexico has recently experienced periods of violence and crime due to the activities of drug cartels. In response, the Mexican government has implemented various security measures and has strengthened its police and military forces. Despite these efforts, drug-related crime continues to exist in Mexico. These activities, their possible escalation and the violence associated with them may have a negative impact on the Mexican economy or on our operations in the future. The social and political situation in Mexico could adversely affect the Mexican economy, which in turn could have a material adverse effect on our business,

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

financial condition, results of operations and prospects.

Developments in other countries could adversely affect the Mexican economy, the market value of our securities and our results of operations.

As is the case with respect to securities of issuers from emerging markets, the market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. For example, prices of both Mexican debt securities and Mexican equity securities have dropped substantially as a result of developments in Europe.

In addition, the correlation between economic conditions in Mexico and the U.S. has sharpened in recent years as a result of NAFTA and increased economic activity between the two countries. As a result of the slowing economy in the United States and the uncertain impact it could have on general economic conditions in Mexico and the United States, our financial condition and results of operations could be adversely affected. In additional, due to recent developments in the international credit markets, capital availability and cost could be significantly affected and could restrict our ability to obtain financing or refinance our existing indebtedness on favorable terms, if at all.

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.

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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.

Hurricanes and other natural disasters could disrupt our business and affect our results of operations.

Hurricanes and other natural disasters, such as earthquakes, floods or tornadoes, have disrupted our business and the businesses of our suppliers and customers in the past and could do so in the future. If similar weather-related events occur in the future, we may suffer business interruption which could adversely and materially affect our results of operations.

e. ***Risks Related to the CPOs***

The Company cannot guarantee that there will always be an active market for the stock that will give the necessary liquidity to the shareholders.

The Company cannot guarantee the liquidity of the CPOs or that the market price could not decrease significantly. Circumstances like variations in the results of operation in the present or future, changes or misses in achieving the estimations of revenues of the analysts, among others, could cause that the prices of the CPOs to decrease significantly.

The lower level of liquidity and the higher level of volatility of the Mexican Stock Exchange may decrease the market price of the CPOs and limit the ability of ADS holders to sell the underlying CPOs.

Our CPOs have been approved for listing on the Mexican Stock Exchange, which is Mexico’s only stock exchange. The Mexican securities market is substantially smaller, less liquid and more volatile than the major securities markets in the United States and certain other developed market economies. The relatively small market capitalization and illiquidity of the Mexican equity markets may limit substantially the ability of holders of CPOs to sell CPOs and holders of ADSs to sell the CPOs underlying the ADSs, and may also affect the market price of the ADSs and CPOs.

The price of our CPOs may be volatile and you may lose all or part of your investment.

The market price of our CPOs could fluctuate significantly, in which case you may not be able to resell your CPOs at or above the offering price. The market price of our CPOs may fluctuate based on a number of factors in addition to those listed in this Statement, including:

- our operating performance and the performance of our competitors and other similar companies;

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- the public's reaction to our press releases, or other public announcements;
- changes in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry;
- changes in general economic conditions;
- the number of remaining CPOs available to be publicly traded in México;
- changes in Axtel's current rating by the principal rating agencies;
- actions of our current shareholders, including sales of common stock by our directors and executive officers;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving us or our competitors; and
- other developments affecting us, our industry or our competitors.

In addition, in recent years international equity markets have experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our CPOs. The price of our CPOs could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our stock price.

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

Future sales by our existing shareholders of a substantial number of our Shares, or the perception that a large number of our Shares will be sold, could depress the market price of our CPOs.

At present day, the Shares of the Company may not be acquired by non-Mexican holders over the percentages permitted by the Company Bylaws, unless the acquisitions are made indirectly through the CPO Trust. Upon termination of the CPO Trust in 50 years, or in the event of its early termination, the Series B Shares are required to be deposited in a new trust under conditions similar to the CPO Trust or to be sold in accordance with the provisions of the CPO Trust to the extent necessary to maintain the thresholds established by applicable law. We cannot assure you that a new trust similar to the CPO Trust will be created upon termination of the CPO Trust. In the event a new trust is not created, because the Series B Shares may not be acquired by non-Mexicans the non-Mexican holders of ADSs or CPOs will be obligated to sell their Series B Shares to Mexican nationals.

Preemptive rights may be unavailable to certain holders of our ADSs and CPOs, which may result in a dilution of such ADS and CPO holders' equity interest in our company.

Under Mexican law, subject to limited exceptions, if we issue new shares for cash as part of a capital increase, we generally must grant preemptive rights to our shareholders, giving them the right to purchase a sufficient number of shares to prevent dilution. However, the CPO Trustee will offer holders of CPOs,

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

whether directly or through ADSs, preemptive rights only if the offer is legal and valid in the CPO holder's or ADS holder's country of residence. Accordingly, we may not be legally permitted to offer non-Mexican holders of ADSs and CPOs the right to exercise preemptive rights in any future issuances of shares unless:

- we file a registration statement with the SEC with respect to that future issuance of shares; or
- the issuance qualifies for an exemption from the registration requirements of the Securities Act.

At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, the benefits of enabling U.S. holders of ADSs and CPOs to exercise preemptive rights and any other factors that we consider important in determining whether to file a registration statement. However, we have no obligation to file a registration statement and it is possible that we will not file one. As a result, the equity interests of U.S. holders of ADSs and CPOs would be diluted to the extent that such holders cannot participate in future capital increases.

In addition, although the deposit agreements permit the ADS depositary, if lawful and feasible at the time, to sell preemptive rights and distribute the proceeds of the sale to entitled ADS holders, sales of preemptive rights are not currently permitted in Mexico.

Non-Mexican holders of our securities forfeit their shares if they invoke the protection of their government.

Pursuant to Mexican law, our bylaws provide that non-Mexican holders of CPOs may not ask their government to interpose a claim against the Mexican government regarding their rights as shareholders. If non-Mexican holders of CPOs violate this provision of our bylaws, they will automatically forfeit the Series B Shares underlying their CPOs to the Mexican government.

Non-Mexican holders of our securities have limited voting rights.

Holders of ADSs or CPOs who are not Mexican nationals will have limited voting rights with respect to the underlying Series B Shares. As to most matters, voting rights with respect to the Series B Shares held in the CPO Trust on behalf of holders of ADSs and CPOs who are non-Mexican investors will be voted in the same manner as the majority of the Series A Shares and Series B Shares that are held by Mexican investors and voted at the relevant meeting.

Holders of ADSs and CPOs may face disadvantages when attempting to exercise voting rights as

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

compared to an ordinary shareholder.

You may instruct the Depositary or CPO Trustee as to the exercise of your voting rights, if any, pertaining to the deposited Series B Shares underlying your securities. If we so request, the Depositary or CPO Trustee will try, as far as practical, to arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can give timely instructions as to how to vote the Series B Shares underlying your securities on your behalf. If the Depositary or CPO Trustee does not receive your voting instructions in a timely manner, it will provide a proxy to a representative designated by us to exercise your voting rights or refrain from representing and voting the deposited Series B Shares underlying your securities, in which case, those securities would be represented and voted by the CPO Trustee in the same manner as the majority of the Series A and Series B Shares that are held by Mexican investors are voted at the relevant meeting. This means that you may not be able to exercise your right to vote, and there may be nothing you can do if the Series B Shares underlying your securities are not voted as you requested.

Minority shareholders may be less able to enforce their rights against us, our directors or our controlling shareholders in Mexico.

Under Mexican law, the protections afforded to minority shareholders are different from those afforded to minority shareholders in the United States. For example, because Mexican laws concerning fiduciary duties of directors are not well developed, it is difficult for minority shareholders to bring an action against directors for breach of this duty as permitted in most jurisdictions in the United States. The grounds for shareholder derivative actions under Mexican law are extremely limited, which effectively bars most of these kinds of suits in Mexico. Procedures for class action lawsuits do not exist under Mexican law. Therefore, it may be more difficult for minority shareholders to enforce their rights against us, our directors, or our controlling shareholders than it would be for minority shareholders of a U.S. company.

Any actions shareholders may wish to bring concerning our bylaws or the CPO Trust must be brought in Mexican court.

Pursuant to our bylaws and the CPO trust documents, you will have to bring any legal actions concerning our bylaws or the CPO Trust in courts located in Monterrey, Nuevo Len and México, regardless of where you reside. Any such action you may wish to bring will be governed by Mexican laws. As a result, it may be difficult for non-Mexican national shareholders to enforce their rights as shareholders.

Our bylaws contain certain provisions restricting takeovers which may affect the liquidity and value of the stocks.

Our bylaws provide that, subject to certain exceptions, (i) any person that individually or together with other persons wishes to acquire shares or beneficial ownership of shares, directly or indirectly, in one or more

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

transactions, resulting in such person holding individually or together with such other persons shares representing certain threshold amounts from 5% to 45% or more of our outstanding capital stock, and (ii) any competitor that individually or together with other persons wishes to acquire shares or beneficial ownership of shares, directly or indirectly, in one or more transactions, resulting in such competitor holding individually or together with such other persons shares representing 3% or more of our outstanding capital stock or any multiple thereof, must obtain the prior approval of our Board of Directors and/or of our shareholders, as the case may be. Persons that acquire shares in violation of our antitakeover provision will not be recognized as owners or beneficial owners of such shares under our bylaws, will not be registered in our stock registry and will be required to transfer such shares to a third party who has been approved by our Board of Directors or by the general shareholders meeting. Accordingly, these persons will not be able to vote such shares or receive any dividends, distributions or other rights in respect of these shares. This restriction does not apply to transfers of shares by inheritance. These provisions of the bylaws will operate in addition to, and not affect, if any, the obligations to conduct public offerings and to disclose transfers of shares representative of Axtel's capital, established in the applicable legislation and the general regulations issued by competent authority.

This provision could discourage possible future purchases of CPOs and, accordingly, could adversely affect the liquidity and price of the CPOs. (See "Company's Bylaws and Other Agreements – Measures to prevent the change of control in Axtel" in this Annual Report).

f) Other risk factors

Information on estimations, pro forma information and declarations on future consequences.

This Annual Report contains information about certain estimations or projections and it may also contain pro-forma information. All 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. It is possible that we make future statements from time to time in our periodic reports to the authorities according to the Circular Letter, in our annual report to the shareholders, in offering circulars or prospects, in press releases and other written materials, or in verbal declarations of our management, directors, employees, analysts, institutional investors, representatives of the press and others.

Words such as "believing", "anticipate", "to plan", "expect", "intend", "goal", "estimate", "forecast",

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"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. These factors, some of which are described under "Risk Factors" include the economic, the political situation and government policies in Mexico, inflation rates, exchange rates, legislative changes, technological improvements the demand from consumers and competition. Similarly, we note that the above mentioned risk factors are not unique, but there are many other risks and uncertainties that could cause actual results to differ materially from those expressed in forward-looking statements.

Disclosure of results of operations and prospects [text block]

Sources of Revenues

Mass Market:

Quarterly revenues decreased 10%:

FTTH. FTTH revenues totaled Ps. 447 million in the first quarter of 2016, compared to Ps. 392 million for same period in 2015, representing a 14% increase in line with a 14% increase in customers. Voice revenues increased 6% due to a 16% increase in monthly rent revenues and 46% decline in fix-to-mobile revenues due to lower prices. Internet and video revenues increased 12% and 39% respectively, due to increases in internet and video subscribers.

Wireless. Revenues amounted to Ps. 324 million in the first quarter of 2016, compared to Ps. 465 million in the same period in 2015, a 30% decrease explained by a 28% decline in customers. Voice revenues decreased 30% mainly explained by a 50% decline in fix-to-mobile revenues due to a decline in billed minutes. Internet revenues decreased 23% due to a decline in internet subscribers and ARPUs.

Telecom:

Quarterly revenues totaled Ps. 1,756 million, compared to Ps. 1,430 million in the same period in 2015, a 23% increase. On a pro forma basis, revenues reached Ps. 2,403 million, a decrease of 10% due to declines in voice and managed networks revenues. *Voice* revenues decreased 18% mostly due to a 93% decline in international traffic revenues explained by a 60% and 80% decrease in volume and prices respectively. *Data and Internet* revenues increased 12% due to a combination of new customers and an increase in share of wallet of existing customers. *Managed Networks* revenues decreased 18% mainly due to a decline in managed services explained by lower revenues from the government sector.

IT:

Revenues amounted to Ps. 313 million in the first quarter of 2016, compared to Ps. 130 million in the same period in 2015, a 140% increase. On a pro forma basis, revenues totaled Ps. 447 million, an increase of 51% due to strong performance of both, system integration and hosting revenues related to new projects from government and enterprise customers and sale of equipment to provide these services.

Cost of Revenues and Operating Expenses

Cost of Revenues. For the three month period ended March 31, 2016, the cost of revenues represented Ps. 504 million, an increase of 4% or Ps. 21 million, compared to the same period of year 2015. On a pro forma basis, costs decreased 11% due to declines in *Mass Market* and *Telecom* costs compensating an increase in *IT* costs. *Mass Market* costs declined 13% due to declines in Wireless segment voice costs, which compensated an increase in FTTH segment video costs. *Telecom* costs declined 24% mainly due to a 37% decline in Managed Networks costs associated to a decline in revenues. *IT* segment increased 67% associated to increases in system integration and hosting revenues.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the first quarter of 2016, the gross profit accounted for Ps. 2,336 million, 21% higher than the same period in year 2015. On a pro forma basis, gross profit decreased 3% do to declines in *Mass Market* and *Telecom* revenues. The gross profit margin increased from 79.6% to 81.0% year-over-year, mainly due to an increase in *Telecom* margins explained by a decrease in international traffic revenue which has a low margin, among other factors.

Operating expenses. In the first quarter of year 2016, operating expenses totaled Ps. 1,482 million, Ps. 332 million or 29% higher than the Ps. 1,150 million recorded in the same period in year 2015. On a pro forma basis, operating expenses increased 4% explained mainly by increases of 4% in personnel and 11% in maintenance expenses related to enterprise projects and also due to the peso devaluation. Personnel represented 46% of total operating expenses in the twelve month period ended March 31, 2016.

Other income / (expense), EBITDA, Operating income (loss)

Other income (expense). For the three month period ended March 31, 2016, net other expenses reached Ps. 495 million, compared to a net other income of Ps. 730 million in the same quarter of 2015, a decrease of Ps. 1,225 million. On a pro forma basis, net other expenses reached Ps. 497 million in 1Q16, compared to a net other income of Ps. 738 million in 1Q15. Other expenses in 1Q16 include expenses associated to the merger, mainly severance payments. Other income in 1Q15 is attributable to the settlement agreement with America Movil S.A.B. de C.V. to terminate several interconnection services disputes.

EBITDA[7]. For the first quarter of 2016, EBITDA reached Ps. 359 million, a 76% decline from the same period in year 2015. On a pro forma basis, EBITDA amounted to Ps. 635 million, a decline of

Disclosure of results of operations and prospects [text block]

69% mainly explained by other income (expense). The adjusted EBITDA(6), excluding other income (expense), amounted to Ps. 1,132 million, a decline of 13%. Adjusted EBITDA margin decreased 294 basis points, from 34.2% in 2015 to 31.3% in 2016.

Operating income (loss). In the first quarter of year 2016, operating loss totaled Ps. 439 million, compared to an operating income of Ps. 818 million, a decrease of Ps. 1,257 million. On a pro forma basis, operating loss reached Ps. 292 million, compared to an operating income of Ps. 1,110 million, a decline of Ps. 1,403 million, mainly due to the variation of other income (expense).

Comprehensive Financing Result, Debt, Cash and Capital Investments

Comprehensive Financing Result. On a pro forma basis, the comprehensive financing cost reached Ps. 1,504 million, compared to a cost of Ps. 709 million in 2015. Net interest expense for the first quarter 2016 increased Ps. 716 million mostly due to the redemption premium of the Senior Notes. During the first quarters of 2016 and 2015, the peso depreciated 7% against the U.S. dollar, generating FX losses of Ps. 465 million and Ps. 421, respectively. Concerning variations in the fair value of financial instruments, these are partly explained by a 3% decrease and a 44% increase in the price of AXTELCPO during the first quarter of 2016 and 2015, respectively, which affected the valuation of AXTEL's position held in its own stock through the financial (zero-strike call) instruments.

Debt. At the end of the first quarter 2016, total debt increased Ps. 7,322 million in comparison with first quarter 2015, explained by (i) a Ps. 12,207 million increase related to the new Syndicated Credit Facility, (ii) a Ps. 10,731 million decrease related to the prepayment of the 2017, 2019 and 2020 Notes, (iii) an increase of Ps. 4,175 million increase related to Alestra's debt, (iv) a Ps. 89 million decrease in leases and other financial obligations, (v) a Ps. 182 million increase related to the Notes premium (discount) and other costs, (vi) a Ps. 208 million decrease related to accrued interests and (vii) a Ps. 1,787 million non-cash increase caused by the 13% depreciation of the Mexican peso.

Cash. As of the end of the first quarter of 2016, the cash and equivalents balance totaled Ps. 696 million, compared to Ps. 3,255 million pro forma at the beginning of the quarter.

Capital Investments. In the first quarter of 2016, capital investments totaled Ps. 1,443 million, or $79 million. On a pro forma basis, capital investments totaled $89 million, which include a non-recurring intangible capital investment related to the merger transaction.

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 March 31, 2016 and 2015, and December 31, 2015; and twelve month period ending on March 31, 2016 and 2015, and
    - Balance sheet information as of March 31, 2016 and 2015; and December 31, 2015.

Disclosure of results of operations and prospects [text block]

2. 2015 and 1Q16 revenues (include Alestra as of February 15, 2016) under the new segmentation:

Million Pesos	**Q1 2015**	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**
MASS MARKET	**856**	**834**	**822**	**804**	**771**
FTTH	391	415	427	437	447
Wireless	465	419	394	367	324
TELECOM	**1,430**	**1,497**	**1,337**	**1,603**	**1,756**
Voice	526	465	519	470	579
Data and Internet	214	231	232	234	549
Managed Networks	689	801	586	899	628
IT	**130**	**211**	**201**	**425**	**313**
TOTAL	**2,416**	**2,542**	**2,360**	**2,832**	**2,840**

3. Pro forma 2015 and 1Q16 revenues (include Alestra as of the beginning of each period) under the new segmentation:

Million Pesos	**Q1 2015**	**Q2 2015**	**Q3 2015**	**Q4 2015**	**Q1 2016**
MASS MARKET	**856**	**834**	**822**	**804**	**771**
FTTH	391	415	427	437	447
Wireless	465	419	394	367	324
TELECOM	**2,656**	**2,738**	**2,628**	**2,866**	**2,403**
Voice	922	859	899	781	754
Data and Internet	741	760	791	812	832
Managed Networks	993	1,118	939	1,273	816
IT	**296**	**452**	**540**	**822**	**447**
TOTAL	**3,807**	**4,024**	**3,990**	**4,492**	**3,620**

4. 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.
5. Operating expenses include costs incurred in connection with general and administrative matters which incorporate compensation and benefits, the costs of leasing land and towers related to our operations and costs associated with sales and marketing and the maintenance of our network.
6. Adjusted EBITDA is calculated as operating income (loss) plus depreciation and amortization, plus impairment of assets and further adjusted for extraordinary or non-recurring income and expenses.
7. EBITDA is defined as operating income (loss) plus depreciation and amortization, plus impairment of assets.
8. Net Debt to EBITDA and Net Debt to Adjusted EBITDA: Ratio of net debt at the end of the period divided by the respective LTM EBITDA and Adjusted EBITDA. For 2016 ratio, pro forma LTM

Disclosure of results of operations and prospects [text block]

EBITDA and Adjusted EBITDA is used.

9. Revenue Generating Unit, or RGU, represents individual service subscriptions who generates recurring revenue for the Company. Total RGUs include the sum of all lines in service, broadband service and video subscriptions.
10. Total debt includes accrued interests as of the end of each period. Net debt is calculated as total debt minus cash and cash equivalents, which include non-current restricted cash.

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

Financial position, liquidity and capital resources [text block]

Financial Statements

Information as of March 31, 2016 (including Alestra) compared with information as of March 31, 2015

Assets

As of March 31, 2016, total assets summed Ps. 32,071 million compared to Ps. 22,492 million as of March 31, 2015, an increase of Ps. 9,579 million, or 43%.

Cash and equivalents. As of March 31, 2016, we had cash and cash equivalents of Ps. 696 million compared to Ps. 3,223 million in the same date of year 2015, a 78% decline.

Accounts Receivable. As of March 31, 2016, the accounts receivable were Ps. 6,816 million compared with Ps. 5,130 million in the same date of 2015, an increase of Ps. 1,685 million or 33%.

Property, plant and equipment, net. As of March 31, 2016, the net of depreciation value of property, plant and equipment was Ps. 19,872 million compared with Ps. 13,242 million as of March 31, 2015, an increase of Ps. 6,630 million or 50%. The property, plant and equipment without adjusting for the accumulated depreciation, was Ps. 61,595 million and Ps. 41,843 million as of March 31, 2016 and March 31, 2015, respectively.

Financial position, liquidity and capital resources [text block]

Liabilities

Total liabilities were Ps. 25,673 million as of March 31, 2016 compared to Ps. 16,574 million as of March 31, 2015, an increase of Ps. 9,099 million or 55% mainly driven by the inclusion of Alestra's debt and a non-cash increase in debt related to the 13% peso depreciation against the US dollar.

Accounts payable & accrued expenses. On March 31, 2016, the accounts payable and accrued expenses were Ps. 3,006 million compared with Ps. 2,567 million on March 31, 2015, an increase of Ps. 439 million or 17%.

Stockholders' Equity

On March 31, 2016, the stockholders equity of the Company was Ps. 6,398 million compared with Ps. 5,918 million as of March 31, 2015, an increase of Ps. 480 million, or 8%. The capital stock was Ps. 10,365 million as of March 31, 2016 compared to Ps. 6,764 million as of March 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 March 31, 2016 (including Alestra since February 15, 2016) compared with the three month period ended March 31, 2015

Net resources used by operating activities were Ps. (32) million for the three month period ended on March 31, 2016 compared to resources provided by operating activities of Ps. 1,529 million recorded in the same period of year 2015.

Net resources (used in) provided by investing activities were Ps. (1,026) million for the three month period ended on March 31, 2016 compared to Ps. (455) million recorded in the same period of year 2015. These flows primarily reflect investments in fixed assets of Ps. 1,443 million and Ps. 454 million, respectively.

Net resources (used in) provided by financing activities were Ps. (914) million for the three month periods ended on March 31, 2016 and Ps. (584) million for 2015.

As of March 31, 2016, the ratios of net debt to Adjusted EBITDA and interest coverage of the company were 3.3x and 2.7x, respectively. As of March 31, 2015 the ratios of net debt to Adjusted EBITDA and interest coverage, were 2.8x and 3.2x, respectively.

Financial position, liquidity and capital resources [text block]

Internal control [text block]

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

Mass Market Operating Data

Customers. As of March 31, 2016, customers totaled 494 thousand, a reduction of 86 thousand from the same date in 2015 due to the continued decline in Wireless customers. Total customers declined 20 thousand on a sequential basis. ARPU for FTTH and wireless customers is Ps. 800 and Ps.400, respectively.

RGUs[(9)]. As of March 31, 2016, RGUs (Revenue Generating Units) totaled 1,080 thousand. During the first quarter of 2016, there were 26 thousand net disconnections, compared to 45 thousand net disconnections in the first quarter of 2015 due to a lower number of wireless disconnections and stronger FTTH additions in 2016.

Voice RGUs (lines in service). As of March 31, 2016, lines in service totaled 546 thousand, composed of 233 thousand for FTTH segment and 314 thousand for wireless segment. Lines in service in the first quarter of 2016 decreased 21 thousand, compared to a decrease of 29 thousand in the same period of 2015, due to continued decline in wireless customers.

Internet RGUs (internet subscribers). Internet subscribers decreased 12% year-over-year totaling 418 thousand as of March 31, 2016. During the first quarter of 2016, broadband subscribers' net disconnections totaled 12 thousand compared to 21 thousand in the same period of 2015, due to continued disconnections of wireless subscribers and an increase in FTTH net additions this quarter. As of March 31, 2016, wireless broadband subscribers reached 214 thousand, compared to 297 thousand a year ago, while AXTEL X-tremo, or FTTH customers, totaled 204 thousand compared to 177 thousand a year ago. Broadband penetration has increased from 74% in March 2015 to 77% in March 2016.

Video subscribers. As of March 31, 2016, video subscribers reached 116 thousand compared to 98 thousand a year ago, an 18% increase. Video penetration within the FTTH broadband subscriber base increased from 56% a year ago to 57% in March 2016.

[110000] General information about financial statements

Ticker:	AXTEL
Period covered by financial statements:	2016-01-01 al 2016-03-31
Date of end of reporting period:	2016-03-31
Name of reporting entity or other means of identification:	AXTEL SAB DE CV
Description of presentation currency:	MXN
Level of rounding used in financial statements:	MILES DE PESOS
Consolidated:	Si
Number of quarter:	1
Type of issuer:	ICS
Description of nature of financial statements:	

Disclosure of general information about financial statements [text block]

Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period

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

Follow-up of analysis [text block]

- GBM Grupo Bursátil Mexicano
- Itaú BBA
- Scotiabank Inverlat

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

Concepto	Close Current Quarter 2016-03-31	Close Previous Exercise 2015-12-31
Statement of financial position [abstract]		
Assets [abstract]		
Current assets [abstract]		
Cash and cash equivalents	695,882,000	2,575,222,000
Trade and other current receivables	5,655,385,000	3,778,313,000
Current tax assets, current	33,308,000	19,824,000
Other current financial assets	368,538,000	378,099,000
Current inventories	111,412,000	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	6,864,525,000	6,804,527,000
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	0	0
Total current assets	6,864,525,000	6,804,527,000
Non-current assets [abstract]		
Trade and other non-current receivables	102,565,000	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	149,285,000	0
Investments accounted for using equity method	0	0
Investments in subsidiaries, joint ventures and associates	16,423,000	8,212,000
Property, plant and equipment	19,872,296,000	13,216,179,000
Investment property	0	0
Goodwill	456,552,000	0
Intangible assets other than goodwill	1,525,829,000	124,994,000
Deferred tax assets	2,898,399,000	2,103,961,000
Other non-current non-financial assets	184,915,000	119,591,000
Total non-current assets	25,206,264,000	15,701,550,000
Total assets	32,070,789,000	22,506,077,000
Equity and liabilities [abstract]		
Liabilities [abstract]		
Current liabilities [abstract]		
Trade and other current payables	4,753,846,000	4,335,938,000
Current tax liabilities, current	44,022,000	182,604,000
Other current financial liabilities	2,033,986,000	1,050,864,000
Other current non-financial liabilities	1,006,979,000	247,443,000
Current provisions [abstract]		
Current provisions for employee benefits	0	0
Other current provisions	0	0
Total current provisions	0	0
Total current liabilities other than liabilities included in disposal groups classified as held for sale	7,838,833,000	5,816,849,000
Liabilities included in disposal groups classified as held for sale	0	0
Total current liabilities	7,838,833,000	5,816,849,000
Non-current liabilities [abstract]		
Trade and other non-current payables	349,906,000	0
Current tax liabilities, non-current	0	0
Other non-current financial liabilities	17,075,414,000	12,541,172,000

Concepto	Close Current Quarter 2016-03-31	Close Previous Exercise 2015-12-31
Other non-current non-financial liabilities	0	0
Non-current provisions [abstract]		
Non-current provisions for employee benefits	406,971,000	28,231,000
Other non-current provisions	0	0
Total non-current provisions	406,971,000	28,231,000
Deferred tax liabilities	1,615,000	0
Total non-current liabilities	17,833,906,000	12,569,403,000
Total liabilities	25,672,739,000	18,386,252,000
Equity [abstract]		
Issued capital	10,362,332,000	6,861,986,000
Share premium	644,710,000	644,710,000
Treasury shares	0	0
Retained earnings	-4,596,065,000	-3,381,898,000
Other reserves	-29,007,000	-4,973,000
Total equity attributable to owners of parent	6,381,970,000	4,119,825,000
Non-controlling interests	16,080,000	0
Total equity	6,398,050,000	4,119,825,000
Total equity and liabilities	32,070,789,000	22,506,077,000

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

Concepto	Accumulated Current Year 2016-01-01 - 2016-03-31	Accumulated Previous Year 2015-01-01 - 2015-03-31
Profit or loss [abstract]		
Profit (loss) [abstract]		
Revenue	2,839,569,000	2,416,113,000
Cost of sales	1,208,776,000	1,123,886,000
Gross profit	1,630,793,000	1,292,227,000
Distribution costs	0	0
Administrative expenses	1,575,926,000	1,204,719,000
Other income	0	730,388,000
Other expense	494,187,000	0
Profit (loss) from operating activities	-439,320,000	817,896,000
Finance income	5,240,000	36,036,000
Finance costs	1,201,297,000	600,699,000
Share of profit (loss) of associates and joint ventures accounted for using equity method	0	0
Profit (loss) before tax	-1,635,377,000	253,233,000
Tax income (expense)	-494,198,000	77,067,000
Profit (loss) from continuing operations	-1,141,179,000	176,166,000
Profit (loss) from discontinued operations	0	0
Profit (loss)	-1,141,179,000	176,166,000
Profit (loss), attributable to [abstract]		
Profit (loss), attributable to owners of parent	-1,144,010,000	176,166,000
Profit (loss), attributable to non-controlling interests	2,831,000	0
Earnings per share [text block]	-.06	0.02
Earnings per share [abstract]		
Earnings per share [line items]		
Basic earnings per share [abstract]		
Basic earnings (loss) per share from continuing operations	-0.06	0.02
Basic earnings (loss) per share from discontinued operations	0	0
Total basic earnings (loss) per share	-0.06	0.02
Diluted earnings per share [abstract]		
Diluted earnings (loss) per share from continuing operations	-0.06	0.02
Diluted earnings (loss) per share from discontinued operations	0	0
Total diluted earnings (loss) per share	-0.06	0.02

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

Concepto	Accumulated Current Year 2016-01-01 - 2016-03-31	Accumulated Previous Year 2015-01-01 - 2015-03-31
Statement of comprehensive income [abstract]		
Profit (loss)	-1,141,179,000	176,166,000
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
Other comprehensive income, net of tax, gains (losses) on revaluation	0	0
Other comprehensive income, net of tax, gains (losses) on remeasurements of defined benefit plans	0	0
Other comprehensive income, net of tax, change in fair value of financial liability attributable to change in credit risk of liability	0	0
Other comprehensive income, net of tax, gains (losses) on hedging instruments that hedge investments in equity instruments	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
Total other comprehensive income that will not be reclassified to profit or loss, net of tax	0	0
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	5,574,000	0
Reclassification adjustments on exchange differences on translation, net of tax	0	0
Other comprehensive income, net of tax, exchange differences on translation	5,574,000	0
Available-for-sale financial assets [abstract]		
Gains (losses) on remeasuring available-for-sale financial assets, net of tax	0	0
Reclassification adjustments on available-for-sale financial assets, net of tax	0	0
Other comprehensive income, net of tax, available-for-sale financial assets	0	0
Cash flow hedges [abstract]		
Gains (losses) on cash flow hedges, net of tax	0	0
Reclassification adjustments on cash flow hedges, net of tax	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
Other comprehensive income, net of tax, cash flow hedges	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
Reclassification adjustments on hedges of net investments in foreign operations, net of tax	0	0
Other comprehensive income, net of tax, hedges of net investments in foreign operations	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
Reclassification adjustments on change in value of time value of options, net of tax	0	0
Other comprehensive income, net of tax, change in value of time value of options	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
Reclassification adjustments on change in value of forward elements of forward contracts, net of tax	0	0
Other comprehensive income, net of tax, change in value of forward elements of forward contracts	0	0
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
Reclassification adjustments on change in value of foreign currency basis spreads, net of tax	0	0
Other comprehensive income, net of tax, change in value of foreign currency basis spreads	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
Total other comprehensive income that will be reclassified to profit or loss, net of tax	5,574,000	0
Total other comprehensive income	5,574,000	0

Concepto	Accumulated Current Year 2016-01-01 - 2016-03-31	Accumulated Previous Year 2015-01-01 - 2015-03-31
Total comprehensive income	-1,135,605,000	176,166,000
Comprehensive income attributable to [abstract]		
Comprehensive income, attributable to owners of parent	-1,138,436,000	176,166,000
Comprehensive income, attributable to non-controlling interests	2,831,000	0

[520000] Statement of cash flows, indirect method

Concepto	Accumulated Current Year 2016-01-01 - 2016-03-31	Accumulated Previous Year 2015-01-01 - 2015-03-31
Statement of cash flows [abstract]		
Cash flows from (used in) operating activities [abstract]		
Profit (loss)	-1,141,179,000	176,166,000
Adjustments to reconcile profit (loss) [abstract]		
Discontinued operations	0	0
Adjustments for income tax expense	-494,198,000	77,067,000
Adjustments for finance costs	1,091,015,000	265,512,000
Adjustments for depreciation and amortisation expense	798,339,000	695,948,000
Adjustments for impairment loss (reversal of impairment loss) recognised in profit or loss	0	0
Adjustments for provisions	0	0
Adjustments for unrealised foreign exchange losses (gains)	177,368,000	308,445,000
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	626,000	753,000
Participation in associates and joint ventures	0	0
Adjustments for decrease (increase) in inventories	-18,158,000	2,236,000
Adjustments for decrease (increase) in trade accounts receivable	221,458,000	-120,684,000
Adjustments for decrease (increase) in other operating receivables	-209,692,000	76,350,000
Adjustments for increase (decrease) in trade accounts payable	-594,601,000	132,675,000
Adjustments for increase (decrease) in other operating payables	264,693,000	-244,171,000
Other adjustments for non-cash items	0	5,977,000
Other adjustments for which cash effects are investing or financing cash flow	0	0
Straight-line rent adjustment	0	0
Amortization of lease fees	0	0
Setting property values	0	0
Other adjustments to reconcile profit (loss)	-1,963,000	40,399,000
Total adjustments to reconcile profit (loss)	1,234,887,000	1,240,507,000
Net cash flows from (used in) operations	93,708,000	1,416,673,000
Dividends paid	0	0
Dividends received	0	0
Interest paid	0	0
Interest received	0	0
Income taxes refund (paid)	125,629,000	-111,976,000
Other inflows (outflows) of cash	0	0
Net cash flows from (used in) operating activities	-31,921,000	1,528,649,000
Cash flows from (used in) investing activities [abstract]		
Cash flows from losing control of subsidiaries or other businesses	450,708,000	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	0	582,000
Purchase of property, plant and equipment	660,173,000	453,634,000
Proceeds from sales of intangible assets	0	0
Purchase of intangible assets	782,942,000	0
Proceeds from sales of other long-term assets	0	0

Concepto	Accumulated Current Year 2016-01-01 - 2016-03-31	Accumulated Previous Year 2015-01-01 - 2015-03-31
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	-33,303,000	-1,823,000
Net cash flows from (used in) investing activities	-1,025,710,000	-454,875,000
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	14,245,787,000	0
Repayments of borrowings	13,545,792,000	0
Payments of finance lease liabilities	0	99,746,000
Proceeds from government grants	0	0
Dividends paid	0	0
Interest paid	1,614,242,000	484,186,000
Income taxes refund (paid)	0	0
Other inflows (outflows) of cash	0	0
Net cash flows from (used in) financing activities	-914,247,000	-583,932,000
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	-1,971,878,000	489,842,000
Effect of exchange rate changes on cash and cash equivalents [abstract]		
Effect of exchange rate changes on cash and cash equivalents	92,538,000	34,914,000
Net increase (decrease) in cash and cash equivalents	-1,879,340,000	524,756,000
Cash and cash equivalents at beginning of period	2,575,222,000	2,697,835,000
Cash and cash equivalents at end of period	695,882,000	3,222,591,000

[610000] Statement of changes in equity - Year Current

	Components of equity [axis]								
Hoja 1 de 3	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]
Retrospective application and retrospective restatement [axis]									
Statement of changes in equity [line items]									
Equity at beginning of period	6,861,986,000	644,710,000	0	-3,381,898,000	0	0	0	0	0
Changes in equity [abstract]									
Comprehensive income [abstract]									
Profit (loss)	0	0	0	-1,144,010,000	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	5,574,000	0	0	0
Total comprehensive income	0	0	0	-1,144,010,000	0	5,574,000	0	0	0
Issue of equity	3,500,346,000	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	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	-70,157,000	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	3,500,346,000	0	0	-1,214,167,000	0	5,574,000	0	0	0
Equity at end of period	10,362,332,000	644,710,000	0	-4,596,065,000	0	5,574,000	0	0	0

Hoja 2 de 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]
Retrospective application and retrospective restatement [axis]									
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	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	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	-29,608,000	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	-29,608,000	0	0	0	0
Equity at end of period	0	0	0	0	-34,581,000	0	0	0	0

	Components of equity [axis]						
Hoja 3 de 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]
Retrospective application and retrospective restatement [axis]							
Statement of changes in equity [line items]							
Equity at beginning of period	0	0	0	-4,973,000	4,119,825,000	0	4,119,825,000
Changes in equity [abstract]							
Comprehensive income [abstract]							
Profit (loss)	0	0	0	0	-1,144,010,000	2,831,000	-1,141,179,000
Other comprehensive income	0	0	0	5,574,000	5,574,000	0	5,574,000
Total comprehensive income	0	0	0	5,574,000	-1,138,436,000	2,831,000	-1,135,605,000
Issue of equity	0	0	0	0	3,500,346,000	0	3,500,346,000
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	0	0	0
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	-29,608,000	-99,765,000	13,249,000	-86,516,000
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	-24,034,000	2,262,145,000	16,080,000	2,278,225,000
Equity at end of period	0	0	0	-29,007,000	6,381,970,000	16,080,000	6,398,050,000

[610000] Statement of changes in equity - Year Previous

	Components of equity [axis]								
Hoja 1 de 3	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]
Retrospective application and retrospective restatement [axis]									
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	176,166,000	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	176,166,000	0	0	0	0	0
Issue of equity	35,929,000	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	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	35,929,000	0	0	176,166,000	0	0	0	0	0
Equity at end of period	6,764,271,000	644,710,000	0	-1,487,377,000	0	0	0	0	0

	Components of equity [axis]								
Hoja 2 de 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]
Retrospective application and retrospective restatement [axis]									
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	0	0	0	0	0
Total comprehensive income	0	0	0	0	0	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	0	0	0	0	0
Equity at end of period	0	0	0	0	-3,791,000	0	0	0	0

Hoja 3 de 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]
Retrospective application and retrospective restatement [axis]							
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	176,166,000	0	176,166,000
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	176,166,000	0	176,166,000
Issue of equity	0	0	0	0	35,929,000	0	35,929,000
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	0	0	0
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	0	212,095,000	0	212,095,000
Equity at end of period	0	0	0	-3,791,000	5,917,813,000	0	5,917,813,000

[700000] Informative data about the Statement of financial position

Concepto	Close Current Quarter 2016-03-31	Close Previous Exercise 2015-12-31
Informative data of the Statement of Financial Position [abstract]		
Capital stock (nominal)	10,362,332,000	6,681,986,000
Restatement of capital stock	0	0
Plan assets for pensions and seniority premiums	406,971,000	28,231,000
Number of executives	284	168
Number of employees	6510	5792
Number of workers	1105	1041
Outstanding shares	19229939531	9456140156
Repurchased shares	0	0
Restricted cash	149,285,000	0
Guaranteed debt of associated companies	0	0

[700002] Informative data about the Income statement

Concepto	Accumulated Current Year 2016-01-01 - 2016-03-31	Accumulated Previous Year 2015-01-01 - 2015-03-31
Informative data of the Income Statement [abstract]		
Operating depreciation and amortization	798,338,000	695,948,000

[700003] Informative data - Income statement for 12 months

Concepto	Current Year 2015-04-01 - 2016-03-31	Previous Year 2014-04-01 - 2015-03-31
Informative data - Income Statement for 12 months [abstract]		
Revenue	10,573,894,000	10,042,361,000
Profit (loss) from operating activities	-648,059,000	465,783,000
Profit (loss)	-3,035,700,000	-1,482,530,000
Profit (loss), attributable to owners of parent	-3,038,531,000	-1,482,530,000
Operating depreciation and amortization	-2,720,957,000	3,277,389,000

[800001] Breakdown of credits

Institución [eje]	Institución Extranjera (Si/No)	Fecha de firma/contrato	Fecha de vencimiento	Tasa de interés y/o sobretasa	Denominación [eje]											
					Moneda nacional [miembro]						Moneda extranjera [miembro]					
					Intervalo de tiempo [eje]						Intervalo de tiempo [eje]					
					Año actual [miembro]	Hasta 1 año [miembro]	Hasta 2 años [miembro]	Hasta 3 años [miembro]	Hasta 4 años [miembro]	Hasta 5 años o más [miembro]	Año actual [miembro]	Hasta 1 año [miembro]	Hasta 2 años [miembro]	Hasta 3 años [miembro]	Hasta 4 años [miembro]	Hasta 5 años o más [miembro]
Bancarios [sinopsis]																
Comercio exterior (bancarios)																
BANCOMEXT	NO	2013-12-19	2024-01-17	L + 3.00=3.44	0						49,594,000	16,531,000	132,251,000	198,377,000	264,503,000	2,645,029,000
TOTAL	NO				0	0	0	0	0	0	49,594,000	16,531,000	132,251,000	198,377,000	264,503,000	2,645,029,000
Con garantía (bancarios)																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Banca comercial																
BBVA BANCOMER	NO	2014-06-06	2016-06-06	FIJA 2.05							609,053,000					
CITIBANK 1	NO	2016-01-15	2021-01-15	L + 2.50 = 2.93										193,350,000	773,400,000	773,400,000
BANORTE 1	NO	2016-01-15	2021-01-15	L + 2.50 = 2.93										193,350,000	773,400,000	773,400,000
BBVA BANCOMER 2	NO	2016-01-15	2021-01-15	L + 2.50 = 2.93										193,350,000	773,400,000	773,400,000
JP MORGAN 1	NO	2016-01-15	2021-01-15	L + 2.50 = 2.93										193,350,000	773,400,000	773,400,000
SANTANDER 1	NO	2016-01-15	2016-04-10	L + 2.50 = 2.93										193,350,000	773,400,000	773,400,000
CITIBANK	NO	2016-01-15	2019-01-15	T + 2.00 = 6.04				951,960,000								
BANORTE	NO	2016-01-15	2019-01-15	T + 2.00 = 6.04				951,960,000								
BBVA BANCOMER 1	NO	2016-01-15	2019-01-15	T + 2.00 = 6.04				951,960,000								
JP MORGAN	NO	2016-01-15	2019-01-15	T + 2.00 = 6.04				951,960,000								
SANTANDER	NO	2016-01-15	2019-01-15	T + 2.00 = 6.04				951,960,000								
COMERICA BANK	SI	2013-07-10	2016-04-10	L + 2.38 = 2.81							522,045,000					
COMERICA BANK 1	SI	2013-07-10	2016-07-10	L + 2.38 = 2.81							348,030,000					
COSTOS POR EMISION	NO	2016-01-15	2021-02-06							-197,953,000						
TOTAL	NO				0	0	0	4,759,800,000	0	-197,953,000	1,479,128,000	0	0	966,750,000	3,867,000,000	3,867,000,000
Otros bancarios																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total bancarios																
TOTAL	NO				0	0	0	4,759,800,000	0	-197,953,000	1,528,722,000	16,531,000	132,251,000	1,165,127,000	4,131,503,000	6,512,029,000
Bursátiles y colocaciones privadas [sinopsis]																
Bursátiles listadas en bolsa (quirografarios)																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Bursátiles listadas en bolsa (con garantía)																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Colocaciones privadas (quirografarios)																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Colocaciones privadas (con garantía)																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total bursátiles listados en bolsa y colocaciones privadas																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Otros pasivos circulantes y no circulantes con costo [sinopsis]																
Otros pasivos circulantes y no circulantes con costo																
OTROS PASIVOS CON COSTO	NO				164,113,000	52,884,000	170,987,000	175,167,000	87,688,000	0	158,791,000	52,602,000	122,677,000	16,138,000		

Institución [eje]	Institución Extranjera (Si/No)	Fecha de firma/contrato	Fecha de vencimiento	Tasa de interés y/o sobretasa	Denominación [eje]											
					Moneda nacional [miembro]						Moneda extranjera [miembro]					
					Intervalo de tiempo [eje]						Intervalo de tiempo [eje]					
					Año actual [miembro]	Hasta 1 año [miembro]	Hasta 2 años [miembro]	Hasta 3 años [miembro]	Hasta 4 años [miembro]	Hasta 5 años o más [miembro]	Año actual [miembro]	Hasta 1 año [miembro]	Hasta 2 años [miembro]	Hasta 3 años [miembro]	Hasta 4 años [miembro]	Hasta 5 años o más [miembro]
TOTAL	NO				164,113,000	52,884,000	170,987,000	175,167,000	87,688,000	0	158,791,000	52,602,000	122,677,000	16,138,000	0	0
Total otros pasivos circulantes y no circulantes con costo																
TOTAL	NO				164,113,000	52,884,000	170,987,000	175,167,000	87,688,000	0	158,791,000	52,602,000	122,677,000	16,138,000	0	0
Proveedores [sinopsis]																
Proveedores																
PROVEEDORES DIVERSOS	NO				1,395,542,000						1,609,194,000					
TOTAL	NO				1,395,542,000	0	0	0	0	0	1,609,194,000	0	0	0	0	0
Total proveedores																
TOTAL	NO				1,395,542,000	0	0	0	0	0	1,609,194,000	0	0	0	0	0
Otros pasivos circulantes y no circulantes sin costo [sinopsis]																
Otros pasivos circulantes y no circulantes sin costo																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total otros pasivos circulantes y no circulantes sin costo																
TOTAL	NO				0	0	0	0	0	0	0	0	0	0	0	0
Total de créditos																
TOTAL	NO				1,559,655,000	52,884,000	170,987,000	4,934,967,000	87,688,000	-197,953,000	3,296,707,000	69,133,000	254,928,000	1,181,265,000	4,131,503,000	6,512,029,000

[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	49,798,000	866,560,000	0	0	866,560,000
Non-current monetary assets	860,000	14,965,000	0	0	14,965,000
Total monetary assets	50,658,000	881,525,000	0	0	881,525,000
Liabilities position [abstract]					
Current liabilities	193,422,000	3,365,840,000	0	0	3,365,840,000
Non-current liabilities	694,177,000	12,079,725,000	0	0	12,079,725,000
Total liabilities	887,599,000	15,445,565,000	0	0	15,445,565,000
Net monetary assets (liabilities)	-836,941,000	-14,564,040,000	0	0	-14,564,040,000

[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	446,579,000	0	0	446,579,000
WIRELESS	323,938,000	0	0	323,938,000
TELECOM				
VOICE	574,488,000	4,052,000	0	578,540,000
DATA AND INTERNET	549,397,000	0	0	549,397,000
MANAGED NETWORKS	628,178,000	0	0	628,178,000
TI				
TI	312,937,000	0	0	312,937,000
TOTAL	2,835,517,000	4,052,000	0	2,839,569,000

[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]

Derivatives Policy

Axtel, S.A.B. de C.V. (" The Company or Axtel ")’s internal policy is to contract derivative instruments to mitigate primarily exchange and interest rate risk exposure with respect to our foreign currency obligations or commitments contracted in currencies different than the Mexican peso.

The strategy of the Company depends on the particular risk to be hedged, in accordance to the established policy. We prefer instruments that comply with 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 1st quarter 2016 no hedge transactions were traded by the company, so at the end of the 1st 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

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]

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]

Valuation Techniques

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 (KPMG Cardenas Dosal, S.C) review the

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

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]

Sources of Liquidity.

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 March 31, 2016, the Company had no derivative instruments contracted:

Quantitative information for disclosure [text block]

Quantitative Information (figures expressed in thousands except that another reference is indicated).

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

<u>Sensibility analysis:</u>

No sensibility tests were performed due to there are no derivative financial instruments operations at the end of the 1st Quarter of 2016.

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

Concepto	Close Current Quarter 2016-03-31	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	111,770,000	0
Total cash	111,770,000	0
Cash equivalents [abstract]		
Short-term deposits, classified as cash equivalents	584,112,000	2,575,222,000
Short-term investments, classified as cash equivalents	0	0
Other banking arrangements, classified as cash equivalents	0	0
Total cash equivalents	584,112,000	2,575,222,000
Other cash and cash equivalents	0	0
Total cash and cash equivalents	695,882,000	2,575,222,000
Trade and other current receivables [abstract]		
Current trade receivables	3,928,409,000	2,893,017,000
Current receivables due from related parties	21,060,000	0
Current prepayments [abstract]		
Current advances to suppliers	693,447,000	52,648,000
Current prepaid expenses	0	0
Total current prepayments	693,447,000	52,648,000
Current receivables from taxes other than income tax	825,807,000	577,438,000
Current value added tax receivables	825,807,000	577,438,000
Current receivables from sale of properties	0	0
Current receivables from rental of properties	0	0
Other current receivables	186,662,000	255,210,000
Total trade and other current receivables	5,655,385,000	3,778,313,000
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	111,412,000	53,069,000
Total current inventories	111,412,000	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

Concepto	Close Current Quarter 2016-03-31	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	102,565,000	128,613,000
Total trade and other non-current receivables	102,565,000	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	16,423,000	8,212,000
Total investments in subsidiaries, joint ventures and associates	16,423,000	8,212,000
Property, plant and equipment [abstract]		
Land and buildings [abstract]		
Land	481,899,000	167,331,000
Buildings	827,774,000	99,003,000
Total land and buildings	1,309,673,000	266,334,000
Machinery	0	0
Vehicles [abstract]		
Ships	0	0
Aircraft	0	0
Motor vehicles	59,420,000	34,631,000
Total vehicles	59,420,000	34,631,000
Fixtures and fittings	0	0
Office equipment	88,854,000	49,532,000
Tangible exploration and evaluation assets	0	0
Mining assets	0	0
Oil and gas assets	0	0
Construction in progress	1,740,613,000	1,118,284,000
Construction prepayments	0	0
Other property, plant and equipment	16,673,736,000	11,747,398,000
Total property, plant and equipment	19,872,296,000	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	0	0
Intangible exploration and evaluation assets	0	0
Mastheads and publishing titles	0	0
Computer software	0	0
Licences and franchises	111,473,000	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	1,414,356,000	21,294,000
Total intangible assets other than goodwill	1,525,829,000	124,994,000
Goodwill	456,552,000	0
Total intangible assets and goodwill	1,982,381,000	124,994,000
Trade and other current payables [abstract]		
Current trade payables	3,004,736,000	2,676,819,000

Concepto	Close Current Quarter 2016-03-31	Close Previous Exercise 2015-12-31
Current payables to related parties	3,499,000	0
Accruals and deferred income classified as current [abstract]		
Deferred income classified as current	531,745,000	509,415,000
Rent deferred income classified as current	0	0
Accruals classified as current	0	0
Short-term employee benefits accruals	0	0
Total accruals and deferred income classified as current	531,745,000	509,415,000
Current payables on social security and taxes other than income tax	1,213,866,000	1,149,704,000
Current value added tax payables	1,213,866,000	1,149,704,000
Current retention payables	0	0
Other current payables	0	0
Total trade and other current payables	4,753,846,000	4,335,938,000
Other current financial liabilities [abstract]		
Bank loans current	1,545,253,000	130,000,000
Stock market loans current	0	0
Other current iabilities at cost	428,390,000	375,656,000
Other current liabilities no cost	0	0
Other current financial liabilities	60,343,000	545,208,000
Total Other current financial liabilities	2,033,986,000	1,050,864,000
Trade and other non-current payables [abstract]		
Non-current trade payables	0	0
Non-current payables to related parties	349,906,000	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	0
Total trade and other non-current payables	349,906,000	0
Other non-current financial liabilities [abstract]		
Bank loans non-current	16,502,757,000	0
Stock market loans non-current	0	11,930,215,000
Other non-current liabilities at cost	572,657,000	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	17,075,414,000	12,541,172,000
Other provisions [abstract]		
Other non-current provisions	0	0
Other current provisions	0	0
Total other provisions	0	0
Other reserves [abstract]		
Revaluation surplus	0	0
Reserve of exchange differences on translation	5,574,000	0
Reserve of cash flow hedges	0	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

Concepto	Close Current Quarter 2016-03-31	Close Previous Exercise 2015-12-31
Reserve of share-based payments	0	0
Reserve of remeasurements of defined benefit plans	-34,581,000	-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	-29,007,000	-4,973,000
Net assets (liabilities) [abstract]		
Assets	32,070,789,000	22,506,077,000
Liabilities	25,672,739,000	18,386,252,000
Net assets (liabilities)	6,398,050,000	4,119,825,000
Net current assets (liabilities) [abstract]		
Current assets	6,864,525,000	6,804,527,000
Current liabilities	7,838,833,000	5,816,849,000
Net current assets (liabilities)	-974,308,000	987,678,000

[800200] Notes - Analysis of income and expense

Concepto	Accumulated Current Year 2016-01-01 - 2016-03-31	Accumulated Previous Year 2015-01-01 - 2015-03-31
Analysis of income and expense [abstract]		
Revenue [abstract]		
Revenue from rendering of services	2,839,569,000	2,416,113,000
Revenue from sale of goods	0	0
Interest income	0	0
Royalty income	0	0
Dividend income	0	0
Rental income	0	0
Revenue from construction contracts	0	0
Other revenue	0	0
Total revenue	2,839,569,000	2,416,113,000
Finance income [abstract]		
Interest income	5,240,000	9,847,000
Net gain on foreign exchange	0	0
Gains on change in fair value of derivatives	0	0
Gain on change in fair value of financial instruments	0	26,189,000
Other finance income	0	0
Total finance income	5,240,000	36,036,000
Finance costs [abstract]		
Interest expense	1,015,151,000	292,254,000
Net loss on foreign exchange	177,368,000	308,445,000
Losses on change in fair value of derivatives	0	0
Loss on change in fair value of financial instruments	8,778,000	0
Other finance cost	0	0
Total finance costs	1,201,297,000	600,699,000
Tax income (expense)		
Current tax	31,330,000	49,127,000
Deferred tax	-525,528,000	27,940,000
Total tax income (expense)	-494,198,000	77,067,000

[800500] Notes - List of notes

Disclosure of notes and other explanatory information [text block]

The unaudited consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" which can be seen in note 813000

Disclosure of associates [text block]

Nombre: Conectividad Inalámbrica 7GHz S. de R.L.

Actividad: Servicios de Telecomunicaciones.

Valor actual: 16,423

Disclosure of business combinations [text block]

a. ***Corporate restructuring***

As mentioned in Significant Events, on February 15, 2016 the merger between Axtel, S.A.B. de C.V. (Axtel) y Onexa, S.A. de C.V. (Onexa) took effect. On the same date, Axtel became a subsidiary of Alfa, S.A.B. de C.V., who will retain approximately 51% stake in the combined entity, while the remaining 49% is owned by the shareholders of Axtel before the merger.

As a result of the merger, Alestra's net assets have been included in the consolidated financial statements of the Company at their book value before the merger.

As of March 31, 2016, the main effects on the consolidated statement of financial position are shown below:

Current assets	$ 2,158,044

Disclosure of business combinations [text block]

Property, systems and equipment, net	6,599,814
Intangible assets and other non-current assets	2,266,752
Total assets	$ 11,024,610
Current liabilities	$ 3,545,668
Non-current liabilities	3,823,615
Total liabilities	$ 7,369,283

b. ***Proforma financial information***

The proforma unaudited consolidated financial information presented below is based on the consolidated financial statements of Axtel, S.A.B de C.V. and subsidiaries and in the consolidated financial statements of Alestra, S. de R.L. de C.V. and Subsidiaries as of December 31, 2015 and for the three month period ended March 31, 2015, adjusted to give effect to the above-described corporate restructuring.

The proforma unaudited consolidated financial information is presented for illustrative purposes only and does not necessarily reflect the financial position or operating results if the corporate restructuring had actually occurred on that date, or future operating results.

Proforma Consolidated Statements of Financial Position

		As of December 31, 2015 UNAUDITED
Current assets	$	9,199,821
Property, systems and equipment, net		19,739,425
Intangible assets and other non-current assets		4,007,314
Total assets	$	32,946,560
Current liabilities	$	8,775,483
Lomg-term debt		15,685,991
Other non-current liabilities		886,824
Total liabilities		25,348,299

Disclosure of business combinations [text block]

Stockholders' equity		7,598,262
Total liabilities and stockholders' equity	$	32,946,560

Proforma Consolidated Statements of Comprehensive Income

		Three-month period ended Marzo 31, 2015 UNAUDITED
Telephone services and related revenues	$	3,805,441
Cost of sales and operating expenses		(2,695,041)
Operating income		1,110,400
Interest expense, net		(314,106)
Foreign Exchange loss, net		(421,310)
Change in the fair value of financial instruments		26,189
Net finance costs		(709,227)
Equity in loss of associated company		(155)
Income before income taxes		401,018
Income taxes		(116,854)
Net income	$	284,164

Proforma financial information is not indicative of the results of Axtel had reported consolidated if the corporate restructuring had been completed on the date indicated, and should not be taken as representative of the financial position or results of operations in future operations.

Disclosure of debt instruments [text block]

Disclosure of debt instruments [text block]

As of March 31, 2016, the consolidated indebtedness of the Company, contemplated financial covenants in the following relevant transaction:

Three and five-year-syndication agreement: A syndicated bank loan agreement with final maturity dates on January 2019 and January 2021, respectively.

- A Leverage Ratio.
- An Interest Coverage Ratio.

CURRENT SITUATION OF FINANCIAL COVENANTS:

- THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

Disclosure of issued capital [text block]

As of March 31, 2016, the common stock of the Company is Ps 10,362,332 and consists of 19,229,939,531 shares issued and outstanding. Company's shares are divided in two Series: Series A and B; both Series have two type of classes, Class "I" and Class "II", with no par value. Of the total shares, 195,501,312 are series A and 19,034,438,219 series B. At March 31, 2016 the Company has issued only Class "I".

Disclosure of summary of significant accounting policies [text block]

The information presented in the unaudited consolidated financial statements of the Company was prepared according to the same accounting policies as in the annual financial statements for the year ended December 31, 2015.

[800600] Notes - List of accounting policies

Disclosure of summary of significant accounting policies [text block]

The information presented in the unaudited consolidated financial statements of the Company was prepared according to the same accounting policies as in the annual financial statements for the year ended December 31, 2015.

[813000] Notes - Interim financial reporting

Disclosure of interim financial reporting [text block]

The unaudited consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The information presented in the unaudited consolidated financial statements of the Company was prepared according to the same accounting policies as in the annual financial statements for the year ended December 31, 2015.

During the interim period ended March 31, 2016 and the year ended December 31, 2015 there were no corrections of prior period errors and changes in business or economic circumstances that affect the fair value of financial assets and liabilities financial statements of the Company. In addition there were no transactions seasonal or cyclical nature affecting the interim period and comparability.

There were no changes in estimates of amounts reported in prior interim periods of the financial statements.

At the reporting date of these financial statements there are no events after the interim period that have not been reflected in the financial statements for that interim period.

Description of significant events and transactions

a. On January 15, 2016, Axtel and Onexa held Extraordinary Shareholders' Meetings, where the merger was approved and the members of the Board, the Director General and the Audit and Corporate Practices was designated. On February 15, 2016 the merger took effect once all approvals and conditions established in the agreements signed by all parties were met, including the acquisition of a loan by Axtel, to prepay its outstanding bonds. On the same date, Axtel became a subsidiary of Alfa, S.A.B. de C.V., who will retain approximately 51% stake in the combined entity, while the remaining 49% is owned by the shareholders of Axtel before the merger.

   As a result of the merger, the Company issued new shares, and Alestra will remain as part of the consolidated Alfa group, so the date of the merger, the net assets of Alestra have been incorporated in the consolidated financial statements of the Company at their book values before the merger. To date, the Company is in the process of reviewing the carrying value of net assets received. This analysis will be completed within a maximum period of twelve months from the

Description of significant events and transactions

date of the merger.

b. On January 15, 2016, the Company signed a credit facility of US 500 million and Ps. 4,759 million pesos to refinance all senior notes maturing in 2017, 2018 and 2020. Redemption became effective on February 19, 2016. The new loan matures in full in January 2019 for the portion in pesos and quarterly principal payments from April 2018 until February 2021 for the dollar portion, and has an interest rate of TIIE + 2% in the first year, TIIE + 2.25% in the second and TIIE + 2.5% in the third, for the portion in pesos; and initial interest rate of Libor + 2.25% which increased to Libor + 3.25% for the portion in dollars.

c. On January 2016, the Company paid in full the promissory note with Banco Nacional de Mexico, S.A. whereby, he received a loan of Ps. 130.000 and which generated interest at a rate of TIIE plus 3.5 basis points annually.

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

The information presented in the unaudited consolidated financial statements of the Company was prepared according to the same accounting policies as in the annual financial statements for the year ended December 31, 2015.

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 effect of changes in composition of entity during interim period

See disclosure of business combinations on note 800500