

1st Quarter 2018



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San Pedro Garza Garcia, Mexico, April 18, 2018 - 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, 2018⁽¹⁾. Axtel is a subsidiary of Alfa S.A.B. de C.V. (“ALFA”).

Million Pesos	Q1	Q4	Q1	(%) 1Q18 vs.		LTM'18	LTM'17	LTM Δ%
	2018	2017	2017	4Q17	1Q17			
Revenues ⁽²⁾	3,753	4,286	3,683	-12%	2%	15,583	14,781	5%
EBITDA ⁽⁵⁾	1,379	1,450	1,177	-5%	17%	5,653	4,491	26%
EBITDA Margin	36.7%	33.8%	32.0%	+ 292 bps	+ 478 bps	36.3%	30.4%	+ 589 bps
Net (loss) Income	960	-923	1,020	n.a.	-6%	3	-1,438	n.a.
Capital Expenditures	545	784	848	-31%	-36%	2,729	3,469	-21%
Net Debt	18,625	19,201	19,206	-3%	-3%			
Net Debt / EBITDA ⁽⁶⁾	3.3x	3.4x	4.4x					

Highlights:

- ❖ Results for the first quarter reflect the positive performance that Axtel has maintained since 2017. Core businesses, including enterprise and government segments, and the FTTx mass-market business, recorded a 5% year-over-year growth in revenues in the quarter contributing to a 17% growth in EBITDA.
- ❖ To reduce the Company’s risk exposure, Axtel entered into certain forward and hedging transactions to fix the exchange rate for a portion of its dollar-denominated 2018 Capex, and also to reduce the volatility of its cash flow and the impact on its intrinsic value derived from foreign exchange risk. Furthermore, the Company started preliminary negotiations to refinance its dollar-denominated long-term loan in pesos. The Company will continue monitoring financial markets, and potentially take further actions, to reduce the impact in its cash flow and shareholder value, primarily from foreign exchange risks.
- ❖ During the quarter, Axtel executed the last phase of the tower sale agreement with American Towers Corporation, receiving Ps. 108 million in net proceeds. Axtel continues analyzing alternatives to maximize value for its shareholders including divesting non-core businesses or excess assets.

Media Relations:

Julio Salinas
contacto@axtel.com.mx
+52(81) 8114-1144

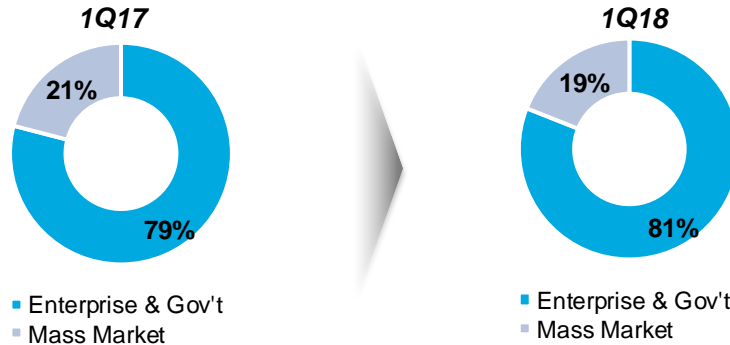
Investor Relations:

Nancy Llovera
IR@axtel.com.mx
+52(81) 8114-1128

Patricio Jiménez
IR@axtel.com.mx
+52(81) 8114-1128

Revenues

Million Pesos	Q1 2018	Q4 2017	Q1 2017	(% 1Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q4 2017	Q1 2017			
ENTERPRISE	2,511	2,612	2,388	-4%	5%	10,069	9,541	6%
GOVERNMENT	529	941	523	-44%	1%	2,577	2,109	22%
MASS MARKET	713	733	772	-3%	-8%	2,937	3,131	-6%
TOTAL	3,753	4,286	3,683	-12%	2%	15,583	14,781	5%



FTTx proportion within the revenue mix increased from 15% in 1Q17 to 16% in 1Q18; wireless declined from 6% to 3%; Enterprise increased from 65% to 67% and Government remained at 14%.

Total revenues for the first quarter 2018 reached Ps. 3,753 million, compared to Ps. 3,683 million in the same period in 2017, a 2% increase, mainly due to a 5% increase in the Enterprise segment, partially mitigated by an 8% decline in the mass market segment.

Enterprise

Million Pesos	Q1 2018	Q4 2017	Q1 2017	(% 1Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q4 2017	Q1 2017			
TELECOM	2,226	2,260	2,151	-2%	3%	8,897	8,619	3%
Voice	514	558	604	-8%	-15%	2,254	2,577	-13%
Data and Internet	853	936	831	-9%	3%	3,509	3,193	10%
Managed Networks	858	766	716	12%	20%	3,134	2,849	10%
IT	286	353	237	-19%	20%	1,172	923	27%
TOTAL ENTERPRISE	2,511	2,612	2,388	-4%	5%	10,069	9,541	6%

Quarterly revenues totaled Ps. 2,511 million, compared to Ps. 2,388 million in the same period in 2017, a 5% increase, due to a increases in both Telecom and IT revenues.

Telecom revenues in the first quarter 2018 increased 3% compared to the first quarter in the previous year, mainly due to a 20% increase in *managed networks* revenues largely related to a 35% increase in Ethernet revenues from Red Compartida, mitigated by a 15% decline in *voice* revenues due to reductions in fix-to-mobile and international long distance revenues. *Data and Internet* increased 3% year over year.

IT revenues increased 20% year-over-year, mainly due to a significant increase in *hosting* and positive performances from *security* and *cloud services*. IT revenues coming from Red Compartida totaled Ps. 9 million.

Government

Million Pesos	Q1 2018	Q4 2017	Q1 2017	(% 1Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q4 2017	Q1 2017			
TELECOM	355	581	316	-39%	12%	1,632	994	64%
Voice	38	40	41	-6%	-9%	163	156	4%
Data and Internet	62	103	83	-39%	-25%	353	361	-2%
Managed Networks	254	438	191	-42%	33%	1,116	477	>100%
IT	174	360	207	-52%	-16%	946	1,115	-15%
TOTAL GOVERNMENT	529	941	523	-44%	1%	2,577	2,109	22%

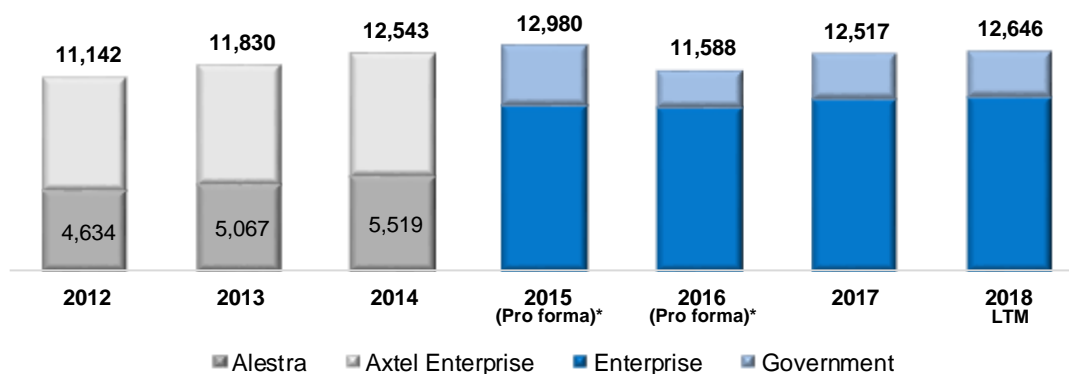
Government segment revenues amounted to Ps. 529 million in the first quarter of 2018, compared to Ps. 523 million in the same period in 2017, a 1% increase mainly due to a rise in Telecom revenues, mitigated by a decline in IT revenues. Recurrent revenues increased 6% compared to the same period in 2017.

Telecom revenues increased 12%. *Managed networks* increased 33% due to a strong increase in VPN solutions from a service contract signed in the fourth quarter of 2017. However, *voice revenues* decreased 9% and *data and internet* decreased 25% due to a decline in private lines associated to service contracts to a federal government entity the Company discontinued billing this quarter.

IT revenues decreased 16%, mainly due to decline in hosting and security services, partially mitigated by 41% and 37% increases in system integration and managed applications, respectively.

Enterprise and Government Segment Evolution

(Revenues in MPs.)



* Pro forma figures include Alestra as of the beginning of each year 2015 and 2016.

Mass Market ⁽²⁾

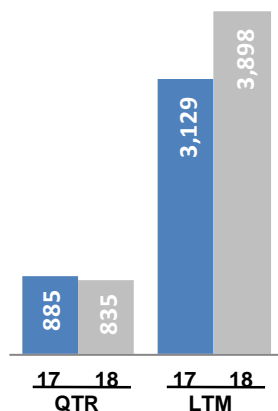
Million Pesos	Q1 2018	Q4 2017	Q1 2017	(%) 1Q18 vs.		LTM'18	LTM'17	LTM Δ%
				Q4 2017	Q1 2017			
FTTx	584	576	548	1%	7%	2,281	2,060	11%
Legacy Technologies	129	157	224	-18%	-42%	656	1,070	-39%
TOTAL MASS MARKET	713	733	772	-3%	-8%	2,937	3,131	-6%

Quarterly revenues declined 8%:

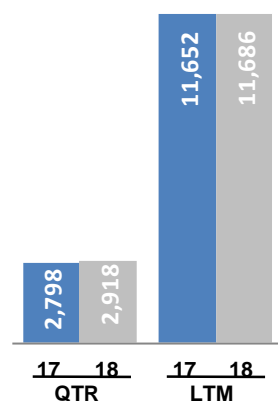
FTTx revenues totaled Ps. 584 million in the first quarter of 2018, compared to Ps. 548 million for same period in 2017. While customers increased 13% year-over-year, *FTTx* revenues increased only 7% due to a decline in video penetration within the customer base from 51% in first quarter 2017 to 44% this quarter, and also because no new offers or price adjustments have been made since first-quarter 2017. Voice revenues increased 4% resulting from a 8% increase in monthly rent revenues. Internet revenues increased 13%, while video revenues decreased 4% due to a 2% decline in video subscribers.

Legacy wireless technologies revenues amounted to Ps. 129 million in the first quarter of 2018, a 42% decrease compared the same period in 2017, explained by a 48% decline in customers.

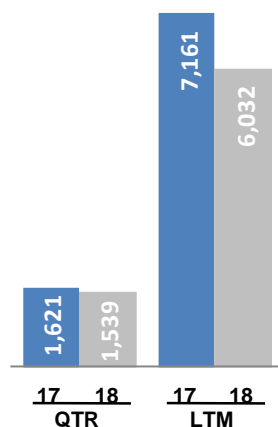
Cost of Revenues (in MPs.)



Gross Profit (in MPs.)



Expenses (in MPs.)



Cost of revenues and Operating and Other expenses

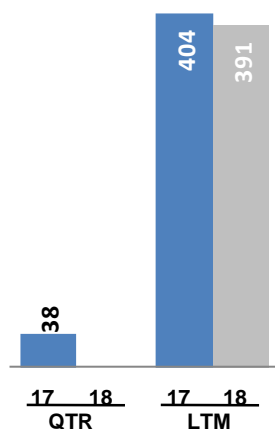
Cost of revenues⁽³⁾. For the three month period ended March 31, 2018, the cost of revenues represented Ps. 835 million, a 6% or Ps. 50 million decrease compared to the same period of year 2017, mainly due to decreases in *IT* and *Mass Market* costs. LTM 1Q18 costs increased 25% mainly due to a significant increase in Telecom *managed services* costs from the Government segment associated to a higher level of non-recurrent revenues. In addition, as part of the homologation accounting process between Axtel and Alestra, costs that were previously classified as operating expenses related to billing, collection and maintenance directly associated with customers are being recorded as costs as of 2017. This adjustment represents an increase of Ps. 357 million in LTM1Q18 vs LTM1Q17.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the first quarter of 2018, the gross profit accounted for Ps. 2,918 million, representing a 4% increase compared to the same period in year 2017, mainly due to increases in *IT hosting* and Telecom *Managed Networks* revenues from the Enterprise segment. Gross profit margin increased from 76% to 78% year-over-year, explained by a slight increase in FTTx and Enterprise segment margins, compensating a slight decline in the Government segment margin.

Operating and other expenses⁽⁴⁾. In the first quarter of 2018, total expenses reached Ps. 1,539 million, 5% lower than the expenses recorded in the same period in 2017, mainly due to the positive effect of Ps. 108 million in other income related to the last phase of the tower sale recorded during the quarter, mitigated by a 5% increase in operating expenses, mainly related to an increase in personnel expenses due to inflation adjustment and a one-time positive effect in the first quarter 2017 related to a cancelation of an account receivables provision as a major government account was collected.

Merger Expenses

(in MPes.)



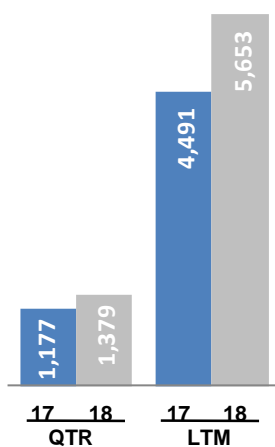
Merger expenses, EBITDA, Operating income (loss)

Note: Figures include Alestra as of February 15, 2016.

Merger and integration expenses. Starting 2018, the Company stopped recording expenses related to the Axtel-Alestra merger. For the first quarter 2017, merger expenses totaled Ps. 38 million. For the twelve month period ended March 31, 2018, merger expenses totaled Ps. 391 million, the most relevant being severance payments.

EBITDA

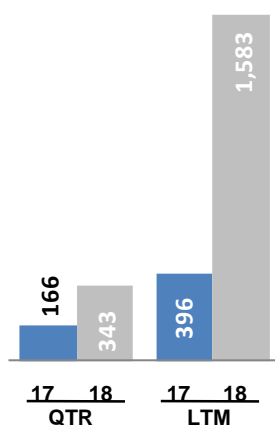
(in MPes.)



EBITDA⁽⁵⁾. For the first quarter of 2018, EBITDA reached Ps. 1,379 million, a 17% increase from the same period in 2017. This figure includes Ps. 108 million of other income related to the closing of the last tranche of the tower sale; without this effect, EBITDA reached Ps. 1,271 million or 8% higher than the first quarter 2017. EBITDA without the benefit from the tower sale nor merger-related expenses increased 5% year-over-year, and also a 5% increase from LTM1Q17 to LTM 1Q18.

Operating income (loss)

(in MPes.)



Operating income (loss). In the first quarter of 2018, operating income totaled Ps. 343 million, Ps. 177 million higher than the same quarter of last year, mainly due to the Ps. 108 million of other income registered this quarter related to the last phase of the tower sale, the increase in EBITDA and a decline in depreciation and amortization. Last twelve months operating income recorded a strong increase due to Ps. 928 million of other income related to the tower sale.

Comprehensive Financing Result

Million Pesos	Q1 2018	Q4 2017	Q1 2017	(% 1Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q4 2017	Q1 2017			
Net interest expense	(404)	(514)	(358)	-21%	13%	(1,636)	(1,202)	-36%
FX gain (loss), net	943	(1,217)	1,438	n.a.	-34%	153	(1,163)	n.a.
Ch. in FV of fin. Instruments	13	56	(13)	-76%	n.a.	53	(228)	n.a.
Total	552	(1,675)	1,067	n.a.	-48%	(1,430)	(2,593)	45%

The comprehensive financing income reached Ps. 552 million in the first quarter of 2018, compared to Ps. 1,067 in the same period of 2017. This decrease is explained mostly by a lower FX gain during the first quarter of 2018 due to an 8% appreciation of the Mexican peso, compared to a 10% appreciation of the Mexican peso in the first quarter of 2017 and also due to a 14% increase in interest expenses due to higher interest rates.

Total Debt and Net Debt ⁽⁷⁾

Million Pesos	Q1 2018	Q4 2017	Q1 2017
Senior Notes 2024	9,172	9,868	-
Bank Facilities	6,000	6,109	15,664
Other loans	3,846	4,037	4,019
Other financing obligations	462	462	513
Accrued interests	290	146	140
Total Debt	19,770	20,621	20,336
(-) Cash and cash equivalents	(1,145)	(1,420)	(1,130)
Net Debt	18,625	19,201	19,206

Total Debt. At the end of the first quarter 2018, debt denominated in dollars increased US\$4 million and debt denominated in pesos decreased Ps. 474 million, in comparison with first quarter 2017, resulting in an effective decrease of Ps. 393 million pesos, or US\$21 million, without the exchange rate effect.

At the end of the quarter, total debt decreased Ps. 566 million in comparison with first quarter 2017, mostly explained by (i) a Ps. 9,405 million increase related to the 2024 Senior Note; (ii) a Ps. 9,523 million decrease in Bank Facilities due to the prepayment of the syndicated bank facility; (iii) a Ps. 273 million decrease from other loans and financial leases; (vi) a Ps. 150 million increase in accrued interests and (v) a Ps. 326 million non-cash decrease caused by the 3% appreciation of the Mexican peso, year-over-year.

Cash. As of the end of the first quarter of 2018, the cash balance totaled Ps. 1,145 million, compared to Ps. 1,130 million a year ago, and Ps. 1,420 million at the beginning of the quarter. The cash balance at the end of the quarter includes Ps. 165 million restricted cash.

Capital Expenditures

In the first quarter of 2018, capital investments totaled Ps. 545 million, or US\$29 million, compared to Ps. 848 million, or US\$42 million, in the year-earlier quarter, a 36% decline in pesos.

Appendix – Other important information

- 1) Financial information presented is based on International Financial Reporting Standards (IFRS) in nominal pesos for the following periods:
 - Consolidated income statement information for the three month periods ending on March 31, 2018 and 2017, and December 31, 2017; and twelve month period ending on March 31, 2018 and 2017, and
 - Balance sheet information as of March 31, 2018 and 2017; and December 31, 2017.

- 2) Mass market operating data:

<i>In thousands</i>	Q1 2018	Q4 2017	Q1 2017
FTTX			
Customers	272	263	242
RGUs	738	719	661
<i>Lines in service</i>	342	332	295
<i>Broadband subscribers</i>	275	265	242
<i>Video subscribers</i>	121	122	124
LEGACY TECHNOLOGIES			
Customers	95	116	182
RGUs	187	227	348
<i>Lines in service</i>	107	129	200
<i>Broadband subscribers</i>	80	98	148

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

- 3) Costs of revenues include expenses related to the termination of customers' cellular and long distance calls in other carriers' networks, as well as expenses related to billing, payment processing, operator services and leasing of private circuit links. Costs that were previously classified as operating expenses related to billing, collection and maintenance directly associated with customers are being recorded as costs as of 2017.
- 4) Operating and other expenses are those incurred in connection with general and administrative matters, such as personnel, land and tower leases, sales and marketing, maintenance of our network and net other not recurrent expenses including merger and integration expenses.
- 5) EBITDA is defined as operating income (loss) before depreciation and amortization, and impairment of assets.
- 6) Net Debt to EBITDA ratio: Net debt translated into U.S. Dollars using the end-of-period exchange rate divided by the respective LTM pro forma EBITDA translated into U.S. Dollars using the average exchange rate for each month.
- 7) Total debt includes accrued interests for each period. Net debt is calculated subtracting cash and equivalents, including non-current restricted cash, from total debt.

- 8) To reduce its exposure to exchange rate risk, Axtel has entered into exchange rate forward transactions for an outstanding amount of ~US\$264 million as of March 31, 2018 at a fixed average exchange rate of 18.7 MXN/USD, where Axtel buys US dollars and sells MXN pesos. Additionally, during the first weeks of April, the Company contracted a "capped risk forward" (exchange-rate forward plus a put option) transaction to reduce the volatility of Axtel's cash flow and the impact in the Company's intrinsic value from foreign exchange risk. The non-delivery transaction was executed for US\$300 million expiring in September 2018. The forward's average exchange rate is 18.66 MXN/USD and the put option's strike level is 17.0 MXN/USD.

Expiration Date	Amount (in Mdls)	Avg. FX rate
April'18	16	18.9
May'18	25	19.1
June'18	187	18.5
Jul'18	13	18.9
Sep'18	300	18.7
Oct'18	6	19.4
Nov'18	16	19.4
TOTAL	564	18.7

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

Unaudited Consolidated Balance Sheet

(in Thousand Mexican pesos)

	Mar-18	Dec-17	Mar-17	(%) Mar-18 vs. Mar-17
ASSETS				
CURRENT ASSETS				
Cash and equivalents	979,989	1,257,803	975,031	1
Accounts receivable	2,935,677	2,679,833	2,824,136	4
Related parties	28,135	31,702	15,866	77
Refundable taxes and other accounts receivable	941,965	832,567	910,106	4
Advances to suppliers	535,709	485,732	539,345	(1)
Inventories	267,187	188,885	130,897	>100
Financial Instruments	-	61,913	-	n.a.
Financial Instruments (Zero Strike Call)	177,750	164,278	162,974	9
Total current assets	5,866,412	5,702,713	5,558,356	6
NON CURRENT ASSETS				
Restricted cash	164,784	161,955	155,126	6
Property, plant and equipment, net	18,907,594	19,275,810	19,596,073	(4)
Long-term accounts receivable	-	-	-	n.a.
Intangible assets, net	1,390,006	1,508,512	1,754,467	(21)
Deferred income taxes	3,847,870	3,747,711	4,053,186	(5)
Investment in shares of associated co. & other	139,427	139,427	1,708	>100
Other assets	273,890	217,646	199,788	37
Total non current assets	24,723,571	25,051,061	25,760,347	(4)
TOTAL ASSETS	30,589,983	30,753,774	31,318,703	(2)
LIABILITIES & STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Account payable & Accrued expenses	3,325,428	3,881,152	3,268,279	2
Accrued Interest	290,074	145,681	139,636	>100
Short-term debt	207,320	700,000	412,498	(50)
Current portion of long-term debt	635,811	533,253	450,110	41
Taxes payable	22,532	18,616	185,697	(88)
Deferred Revenue	755,848	312,121	673,962	12
Provisions	39,735	117,908	46,972	(15)
Other accounts payable	2,040,157	2,195,956	2,066,356	(1)
Total current liabilities	7,387,578	7,904,687	7,243,511	2
LONG-TERM LIABILITIES				
Long-term debt	18,416,291	19,043,736	19,178,670	(4)
Employee Benefits	641,594	588,696	492,856	30
Other LT liabilities	713,998	724,250	986,356	(28)
Total long-term debt	19,771,883	20,356,682	20,657,882	(4)
TOTAL LIABILITIES	27,159,461	28,261,369	27,901,393	(3)
STOCKHOLDERS EQUITY				
Capital stock	464,371	464,368	365,512	27
Additional paid-in capital	159,551	159,551	-	n.a.
Reserve for repurchase of shares	-	-	-	n.a.
Cumulative earnings (losses)	2,806,600	1,868,480	3,051,797	(8)
TOTAL STOCKHOLDERS' EQUITY	3,430,522	2,492,405	3,417,310	0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	30,589,983	30,753,774	31,318,703	(2)

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

	1Q18	4Q17	1Q17	(% 1Q18 vs.)		LTM'18	LTM'17	Δ%
				4Q17	1Q17			
Total Revenues	3,752,886	4,286,395	3,682,789	(12)	2	15,583,187	14,780,540	5
Operating cost and expenses								
Cost of sales and services	(835,012)	(1,258,151)	(884,609)	(34)	(6)	(3,897,570)	(3,128,628)	25
Selling, administrative and other expenses	(1,660,756)	(1,754,466)	(1,582,891)	(5)	5	(6,722,595)	(6,767,452)	(1)
Other income (expenses), net	121,761	176,017	(38,323)	(31)	n.a.	690,105	(393,515)	n.a.
Asset impairment	(8,626)	(1,535)	970	>100	n.a.	(21,320)	(51,817)	(59)
Depreciation and amortization Cost	(877,176)	(856,062)	(855,584)	2	3	(3,478,029)	(3,346,893)	4
Depreciation and amortization Expenses	(149,935)	(153,565)	(156,481)	(2)	(4)	(570,856)	(696,423)	(18)
	<u>(3,409,745)</u>	<u>(3,847,762)</u>	<u>(3,516,917)</u>	<u>(11)</u>	<u>(3)</u>	<u>(14,000,264)</u>	<u>(14,384,728)</u>	<u>(3)</u>
Operating income (loss)	<u>343,141</u>	<u>438,633</u>	<u>165,872</u>	<u>(22)</u>	<u>>100</u>	<u>1,582,923</u>	<u>395,811</u>	<u>>100%</u>
Comprehensive financing result:								
Interest expense	(419,088)	(532,033)	(369,001)	(21)	14	(1,697,115)	(1,231,612)	38
Interest income	14,683	18,340	10,742	(20)	37	60,640	29,883	>100%
Foreign exchange gain (loss), net	942,687	(1,216,743)	1,438,212	n.a.	(34)	152,756	(1,163,100)	n.a.
Change in fair value of fin. instruments	13,473	55,651	(12,770)	(76)	n.a.	53,296	(228,330)	n.a.
Comprehensive financing result, net	<u>551,754</u>	<u>(1,674,786)</u>	<u>1,067,183</u>	<u>n.a.</u>	<u>(48)</u>	<u>(1,430,424)</u>	<u>(2,593,159)</u>	<u>(45)</u>
Equity in results of associated company	<u>(0)</u>	<u>0</u>	<u>(0)</u>	<u>n.a.</u>	<u>(71)</u>	<u>0</u>	<u>(5,189)</u>	<u>n.a.</u>
Income (loss) before income taxes,	<u>894,895</u>	<u>(1,236,153)</u>	<u>1,233,054</u>	<u>n.a.</u>	<u>(27)</u>	<u>152,498</u>	<u>(2,202,537)</u>	<u>n.a.</u>
Income taxes:								
Current	(36,664)	(25,503)	(219,603)	44	(83)	67,104	(273,433)	n.a.
Deferred	101,733	338,641	6,134	(70)	>100	(217,051)	1,037,472	n.a.
Total income taxes	<u>65,068</u>	<u>313,138</u>	<u>(213,469)</u>	<u>(79)</u>	<u>n.a.</u>	<u>(149,947)</u>	<u>764,039</u>	<u>n.a.</u>
Net Income (Loss)	<u>959,963</u>	<u>(923,015)</u>	<u>1,019,585</u>	<u>n.a.</u>	<u>(6)</u>	<u>2,551</u>	<u>(1,438,498)</u>	<u>n.a.</u>

About AXTEL

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

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

As of February 15, 2016, Axtel is a subsidiary of Alfa, which owns 52.8% of its equity.

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

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

Enterprise and Government services website: www.alestra.mx

Mass Market services website: www.axtel.mx