# 1st Quarter 2012

**San Pedro Garza Garcia, Mexico, April 26, 2012 -** Axtel, S.A.B. de C.V. (“AXTEL” or “the Company”), a leading Mexican fixed-line integrated telecommunications company, announced today its unaudited first quarter results ended March 31, 2012[1].

| Million Pesos | Q1 2012 | Q1 2011 | 1Q12/1Q11 D% | Q4 2011 | LTM Mar-12 | LTM Mar-11[1] |
|---|---|---|---|---|---|---|
| Revenues[2] | 2,503 | 2,655 | -6% | 2,768 | 10,677 | 10,840 |
| Costs[3] | 625 | 759 | -18% | 678 | 2,665 | 3,021 |
| Operating Expenses[4] | 1,119 | 1,074 | 4% | 1,200 | 4,506 | 4,451 |
| Adjusted EBITDA[5] | 759 | 821 | -8% | 891 | 3,506 | 3,368 |
| Adj. EBITDA Margin | 30.3% | 30.9% | +62 bps | 32.2% | 32.8% | 31.1% |
| Net (loss) Income | 496 | 90 | 449% | -1,058 | -1,458 | -257 |
| Earnings per CPO[6] | 0.40 | 0.07 | 449% | -0.85 | -1.16 | -0.21 |
| | | | | | | |
| Capital Expenditures | 502 | 749 | -33% | 789 | 2,286 | 3,417 |
| Net Debt / Adj EBITDA[7] | | | | | 3.1x | 2.8x |

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## *Highlights:*

- Mass market segment revenues and gross margin rose 4% and 8%, respectively, compared to first quarter 2011. Revenues in integrated services, a key driver of AXTEL’s enterprise segment performance, increased 15% compared to first quarter 2011.

- RGUs increased 28 thousand in the first quarter, mostly explained by growth in broadband subscribers, which totaled 464 thousand as of the end of the quarter. This represented an increase of 32% compared to first quarter 2011. FTTH Subscribers represented 13% of total broadband subscribers’ base as of the end of the quarter.

- Revenues decreased 6% compared to first quarter 2011. The effect from the phasing-out of a major wholesale customer negatively impacted revenues by 4%. During the quarter, a significant decline in international traffic market prices also negatively affected revenues by an additional 3%.

## Sources of Revenues

| Million Pesos | Q1 2012 | Q1 2011 | 1Q/1Q11 D% | Q4 2011 | LTM mar-12 | LTM mar-11 |
|---|---|---|---|---|---|---|
| Local | 912 | 961 | -5% | 930 | 3,745 | 3,895 |
| Long Distance | 267 | 287 | -7% | 285 | 1,132 | 1,152 |
| Data & Network | 684 | 654 | 5% | 666 | 2,615 | 2,544 |
| Int'l. Traffic | 201 | 270 | -26% | 335 | 1,177 | 1,206 |
| Other | 389 | 339 | 15% | 484 | 1,635 | 1,404 |
| Largest Wholesale Cust | 50 | 144 | -65% | 69 | 372 | 638 |
| | **2,503** | **2,655** | **-6%** | **2,768** | **10,677** | **10,840** |

**IMPORTANT DISCLOSURE.** Unless otherwise stated, comments in this section exclude revenues generated by our largest wholesale customer (see note 9 for further information).

***Local services*.** Local service revenues totaled Ps. 912 million in the first quarter of 2012, compared to Ps. 961 million for same period in 2011, representing a decrease of Ps. 50 million or 5%, explained by Ps. 15 million, Ps. 23 million and Ps. 12 million decreases in measured services, cellular revenues and monthly rents, respectively. The 2% decline in rents is explained by new commercial offers introduced in the third and fourth quarter of 2011 while the 12% decline in cellular revenue is explained by a 2% decrease in billed-traffic volume and a 11% decrease in billed-traffic prices in the first quarter of 2012 compared to the same period in 2011. Revenues coming from monthly rents represented 76% of local revenues during the three-month period ended March 31, 2012. For the twelve month period ended March 31, 2012, local revenues totaled Ps. 3,745 million, compared to Ps. 3,895 million registered in the same period in 2011, a decrease of Ps. 150 million or 4%.

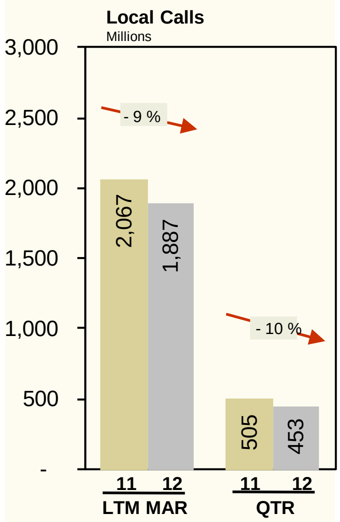
***Long distance services*.** Revenues totaled Ps. 267 million in the first quarter of 2012, compared to Ps. 287 million for same period in 2011, representing a decrease of Ps. 20 million, explained by a 7% decrease in billed-traffic prices. For the twelve month period ended March 31, 2012, long distance revenues totaled Ps. 1,132 million compared to Ps. 1,152 million registered in 2011, a Ps. 20 million, or 2%, decline.

***Data & Network*.** Data and network revenues amounted to Ps. 684 million in the first quarter of 2012, compared to Ps. 654 million in the same period in 2011, a Ps. 30 million increase driven by mass-market, or, "on-demand" internet services revenues that increased 53% year-over-year while the combination of dedicated internet and private lines revenues declined 6. Mass-market, or, "on-demand" internet services represented 26% of data & network revenues during the quarter. During the last-twelve-month period ended on March 31, 2012, data and network services revenues totaled Ps. 2,615 million from Ps. 2,544 million registered in 2011, an increase of Ps. 71 million, or 3%.

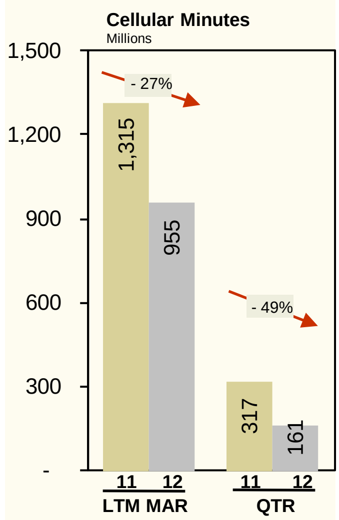
***International traffic*.** In the first quarter of 2012, international traffic revenues totaled Ps. 201 million, a decrease of Ps. 69 million or 26% versus same quarter of previous year, explained by a decline in dollar prices and an 11% reduction in volume. In peso terms, the price decline was partially mitigated by a 7% appreciation of the average US dollar rate against the Mexican peso. For the twelve month period ended March 31, 2012, revenues from International traffic totaled Ps. 1,177 million from Ps. 1,206 million, a decline of 2% compared to the same period in 2011 explained by a 5% decline in volume partially compensated by the benefit of a better traffic mix including a higher proportion of long-distance fixed-to-mobile traffic.

***Other services*.** Quarterly revenues from other services totaled Ps. 389 million in the first quarter of 2012, from Ps. 339 million in the same quarter of previous year, an increase of Ps. 50 million or 15%, mostly explained by revenues from integrated services and equipment sales. For the twelve month period ended March 31, 2012, revenues totaled Ps. 1,635 million from Ps. 1,404 million registered in 2011, an increase of Ps. 231 million, or 16%.

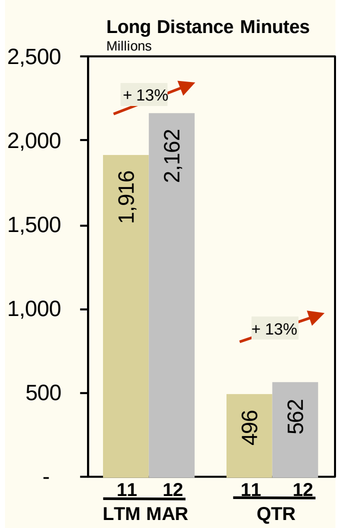
## *Consumption*




***Local Calls*.** Local calls excluding our largest wholesale customer totaled 441 million calls in the first quarter of 2012, compared to 471 million calls for same period in 2011, representing a decrease of 30 million calls, or 6%. Billed local calls decreased 2 million or 2%, while local calls included in commercial offers also declined 28 million calls or 8%. Business and residential customers contributed with 1 million calls each to the billed local calls decline. Local calls included in commercial offers represented 77% of total calls in the first quarter of 2012. For the twelve month period ended March 31, 2012, local calls totaled 1,812 million excluding our largest wholesale customer, compared to 1,911 million registered in the same period in 2011, a decline of 99 million calls, or 5%.



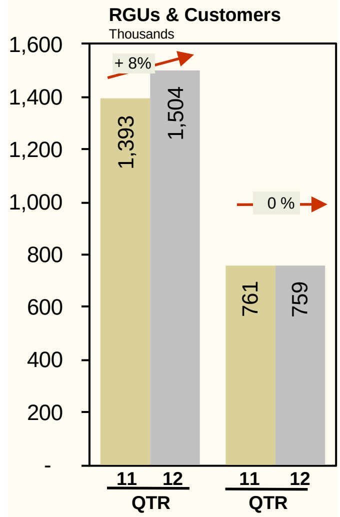

***Cellular ("Calling Party Pays")*.** Minutes of use of calls completed to a cellular line excluding our largest wholesale customer amounted to 159 million in the three-month period ended March 31, 2012, compared to 151 million in the same period in 2011, an increase of 5% equivalent to 8 million minutes. Billed cellular minutes decreased 2 million or 2%, while minutes in modules included in a monthly rent increased 10 million minutes or 28%. Billed cellular minutes represented 72% of cellular minutes in the first quarter of 2012. For the year 2012 and excluding our largest wholesale customer, cellular minutes declined 26 million, or 4%, from 653 million registered in the twelve-month period ended March 31, 2011, to 627 million in 2012.



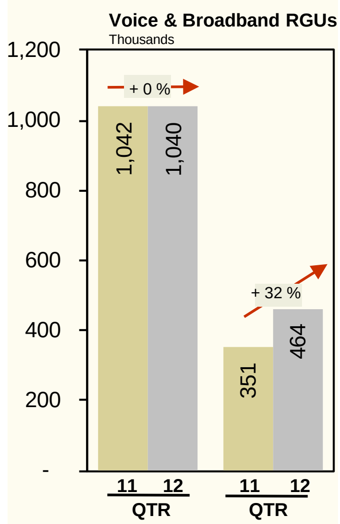

***Long distance*.** Excluding our largest wholesale customer, which represents 15% of total volume, outgoing long distance minutes amounted to 475 million for the three-month period ended March 31, 2012, from 472 million in the same period in 2011, a 1% or 3 million minute increase, resulting from a 1% decrease and 5% increase in traffic from business and residential customers, respectively. Billed long distance minutes during the first quarter of 2012 remained at similar level compared to the same period in 2011. Domestic long distance minutes represented 95% of total traffic during the quarter. For the twelve month period ended March 31, 2012 and excluding our largest wholesale customer, outgoing long distance minutes amounted 1,908 million, compared to 1,852 million registered in 2011, an increase of 56 million of minutes, or 3%, explained by increased traffic from business customers and further penetration of commercial offers including national and international long distance minutes within a monthly rent.

## *Operating Data*

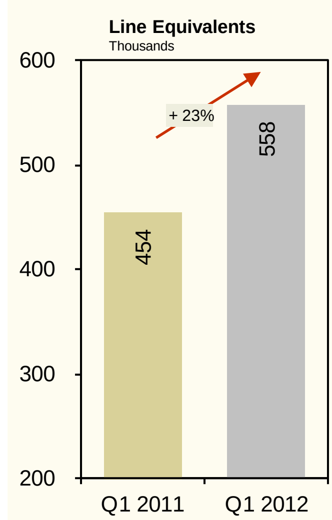
***RGUs and Customers.*** As of March 31, 2012, RGUs (Revenue Generating Units) totaled 1,504 thousand, an increase of 8% or 111 thousand from the same date in 2011. During the first quarter of 2012, net additional RGUs totaled 28 thousand, compared to 35 thousand in the first quarter of 2011, attributable to lower contributions from both voice and broadband RGUs. As of March 31, 2012, customers totaled 759 thousand, a marginal decline of 2 thousand from the same date in 2011. Total customers remained unchanged on a sequential basis.




***Voice RGUs (lines in service).*** As of March 31, 2012, lines in service totaled 1,040 thousand, a one thousand reduction from the same date in 2011. During the first quarter of 2012, gross additional lines totaled 69 thousand compared to also 69 thousand in the first quarter of 2011. Disconnections in the first quarter of 2012 totaled 68 thousand compared to 69 thousand in the year-earlier quarter. Voice-only customers in low-ARPU offers represented the majority of disconnections during the quarter. Lines-in-service in the first quarter of 2012 increased one thousand, compared to 2 thousand net-disconnections in the same period of 2011. As of March 31, 2012, residential lines represented 68% of total lines in service.



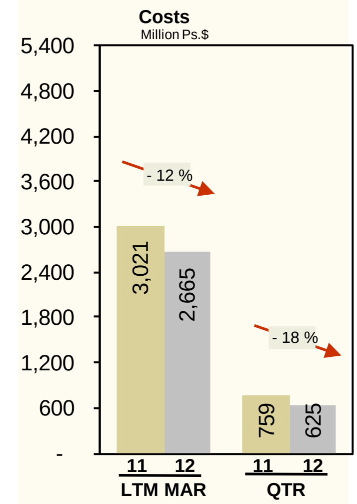

***Broadband RGUs (broadband subscribers).*** Broadband subscribers increased 32% year-over-year totaling 464 thousand subs as of March 31, 2012. During the first quarter of 2012, broadband subscribers increased 27 thousand compared to 36 thousand in the same period of 2011. Continued positive response from customers to AXTEL's "Acceso Universal" and "AXTEL X-tremo" services, our marketing efforts, competitive commercial offers and the reliability of our network contributed to increase the number of broadband subs in the first quarter. Broadband penetration reached 45% at the end of the first quarter of 2012, compared to 34% a year ago. As of the end of March 2012, WiMAX broadband subs reached 383 thousand, compared to 313 thousand a year ago, while AXTEL X-tremo, or FTTH, customers totaled 61 thousand.



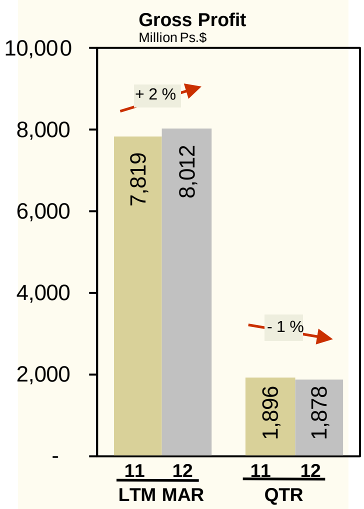

***Internet subscribers.*** As of March 31, 2012, Internet subscribers totaled 471 thousand, including 8 thousand dial-up subscribers. As of March 31, 2011, Internet subscribers represented 360 thousand, including 8 thousand dial-up subs.

***Line equivalents (E0 equivalents).*** We offer from 64 kilobytes per second ("KBps") up to 100 megabytes per second ("MBps") dedicated data links in all of our thirty-nine existing cities. We account for data links by converting them to E0 equivalents in order to standardize our comparisons versus the industry. As of March 31, 2012, line equivalents totaled 558 thousand.

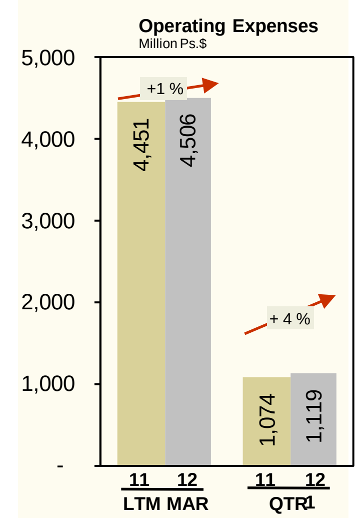
## *Cost of Revenues and Operating Expenses*




***Cost of Revenues.*** For the three-month period ended March 31, 2012, the cost of revenues represented Ps. 625 million, a decrease of Ps. 134 million, compared with the same period of year 2011, mainly explained by decreases of (i) Ps. 87 million due to lower fixed-to mobile costs resulting from a 49% decrease in traffic volume and (ii) Ps. 70 million due to a 35% lower international traffic costs resulting from lower termination rates; this compensated a Ps. 60 million increase in costs related to integrated services and equipment sales. For the twelve month period ended March 31, 2012, cost of revenues reached Ps. 2,665 million, a decrease of Ps. 356 million in comparison with year 2011, mainly due to decreases in costs of fixed-to mobile traffic and domestic long distance calls compensating a 74% increase in costs related to integrated services.

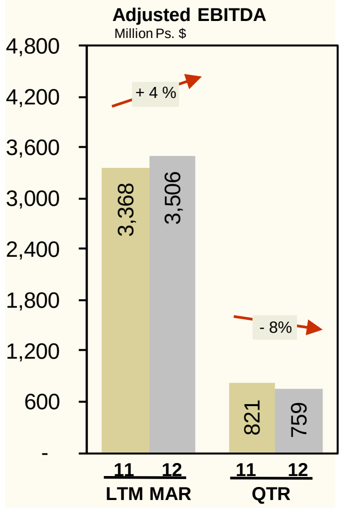



***Gross Profit.*** Gross profit is defined as revenues minus cost of revenues. For the first quarter of 2012, the gross profit accounted for Ps. 1,878 million, a decrease of Ps. 18 million compared with the same period in year 2011. The gross profit margin increased from 71.4% to 75.0% year-over-year, influenced by: (i) the reduction in long-distance termination rates which affected positively long-distance and international traffic segments, and (ii) better margins from both mass-market and enterprise customers' revenues. For the twelve month period ended March 31, 2012, our gross profit totaled Ps. 8,012 million, compared to Ps. 7,819 million recorded in year 2011, an increase of Ps. 193 million.

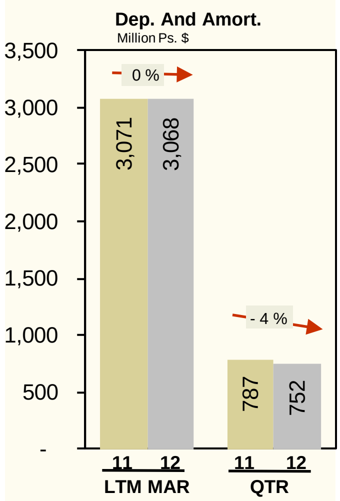



***Operating expenses.*** In the first quarter of year 2012, operating expenses totaled Ps. 1,119 million, Ps. 45 million higher than the Ps. 1,074 million recorded in the same period in year 2011, mostly explained by Ps. 20 million and Ps. 13 million increases in rents and maintenance expenses related to a larger number of sites and inflation adjustments. For the twelve month period ended March 30, 2012, operating expenses totaled Ps. 4,506 million, coming from Ps. 4,451 million in the same period in 2011. Personnel represented 45% of total operating expenses in the twelve month period ended March 31, 2012.

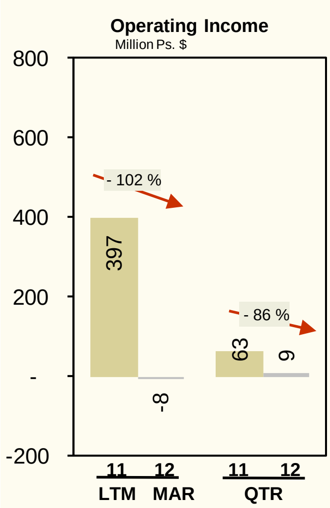
## *Adjusted EBITDA, D&A and Operating Income*




***Adjusted EBITDA[5].*** The Adjusted EBITDA totaled Ps. 759 million for the three-month period ended March 31, 2012, compared to Ps. 821 million for the same period in 2011. As a percentage of total revenues, Adjusted EBITDA represented 30.3% in the first quarter of 2012, 62 bps lower than the margin recorded in the year-earlier quarter. For the twelve-month period ended March 31, 2012, Adjusted EBITDA amounted to Ps. 3,506 million, compared to Ps. 3,368 million in year 2011.




***Depreciation and Amortization[10].*** Depreciation and amortization totaled Ps. 752 million in the three-month period ending on March 31, 2012 compared to Ps. 787 million for the same period in year 2011. Depreciation and amortization for the twelve-month period ended March 31, 2012 reached Ps. 3,068 million, from Ps. 3,071 million in the same period in year 2011, an immaterial increase of Ps. 3 million.




***Operating Income (loss).*** In the three-month period ended March 31, 2012, the Company recorded an operating income of Ps. 9 million compared to an operating income of Ps. 63 million registered in the same period in year 2011. For the twelve month period ended March 31, 2012 our operating loss reached Ps. 8 million when compared to the operating income of Ps. 397 million in the same period of year 2011, a variation of Ps. 404 million, mostly explained by Ps. 395 million of non-recurrent other expenses recorded in in the fourth quarter of 2011. These included a Ps. 229 million write-off of obsolete equipment, a Ps. 64 million provision for organization restructuring and a Ps. 37 million charge against other assets related for minority-participation investments in telecom-related companies in the U.S.

***CFR, Indebtedness and Cash***

## Comprehensive Financial Result

| Million Pesos | Q1 2012 | Q1 2011 | 1Q/1Q11 D% | Q4 2011 | LTM Q1 2012 | LTM Q1 2011 |
|---|---|---|---|---|---|---|
| Net interest expense | (260) | (235) | 11% | (270) | (1,006) | (943) |
| FX gain (loss), net | 969 | 311 | 212% | (435) | (618) | 373 |
| Ch. in FV of fin. Instruments | (14) | (5) | 214% | (15) | (84) | (65) |
| **Total** | **694** | **71** | **873%** | **(720)** | **(1,708)** | **(634)** |

***Comprehensive financial result.*** Net interest expense for the first quarter 2012 increased Ps. 25 million vis-à-vis fourth quarter 2011 due to a larger debt balance and fees related to the committed tranche of the syndicated bank facility. During the first quarter 2012, a 9% peso appreciation against the U.S. dollar generated a Ps. 969 million FX gain, compared to an FX gain of Ps. 311 million related to a 3% peso appreciation recorded in the first quarter of 2011. Concerning variations in the fair value of financial instruments, these are partially explained by 4% and 2% declines in the price of AXTELCPO during the first quarters of 2012 and 2011, respectively, which affected the valuation of AXTEL´s position held in its own stock through the zero-strike-calls instruments. The Ps. 1,708 million comprehensive financial loss for year ended in March 2012, compared to a Ps. 634 million comprehensive financial loss for year ended in March 2011, is mainly explained by a 7% depreciation of the Mexican peso against the U.S. dollar in the 2012 period, compared to a 4% appreciation in the 2011 period.

## Total Debt as of the end of each period

| Million Pesos | Q1 2012 | Q1 2011 | Q4 2011 |
|---|---|---|---|
| 2017 Senior Notes | 3,521 | 3,291 | 3,847 |
| 2019 Senior Notes | 6,274 | 5,864 | 6,855 |
| Other financing obligations | 259 | 305 | 327 |
| Financial Leases | 561 | 261 | 594 |
| Bank Facilities | 786 | 352 | 839 |
| Notes Premium | 47 | 53 | 48 |
| **Total Debt** | **11,448** | **10,126** | **12,511** |
| (-) Mark-to-market Derivative Instruments | (107) | (159) | 167 |
| (-) Cash and cash equivalents | 526 | 839 | 1,425 |
| **Net Debt** | **11,029** | **9,446** | **10,919** |

***Debt.*** At the end of the first quarter of 2012, total debt increased Ps. 1,322 million in comparison with the same date in 2011, explained by (i) a Ps. 397 million net increase in bank debt related to the Syndicated Bank Facility obtained in November 2011, (ii) an increase of Ps. 237 million in leases and financial obligations and (iii) a Ps. 694 million non-cash increase caused by the 7% depreciation of the Mexican peso.

***Cash.*** As of the end of the first quarter of 2012, our cash and equivalents balance totaled Ps. 526 million (equivalent to $41 million), compared to Ps. 839 million a year ago. Interest payments on both Senior Notes programs and a reduction in account payables related to a lower capital expenditures level combined with an increase in account receivables primarily from federal government entities explain most of the variation in cash during the quarter. Thirty-three percent of the cash balance is maintained in dollars, the rest in pesos.

### *Investments and Derivative Instruments*

***Capital Investments.*** In the first quarter of 2012, capital investments totaled Ps. 502 million, or $39 million, compared to Ps. 749 million, or $62 million, in the year-earlier quarter. Accumulated for the twelve-month period ended March 31, 2012, capital investments totaled Ps. 2,286 million, or $181 million, compared to Ps. 3,417 million, or $274 million, in year 2011.

***Other Investments.*** As of March 31, 2012, the Company maintained an economic position equivalent to 30.4 million AXTELCPOs in ZSC.

***Derivative Instruments.*** The following table summarizes the Company's derivatives position as of March 31 , 2012.

| | AXTEL receives | AXTEL pays | Other |
|---|---|---|---|
| **Interest-Only Cross-Currency Swap (MXN/US$)** | | | |
| Notional | US$275 million | Ps. 3,408 million | |
| Interest | 7.63% semi-annual | 8.27% semi-annual | |
| Principal payments | n.a. | n.a. | |
| Expiration Date | | | Aug. 2012 - Aug. 2014 |
| Estimated Fair Value | | | Ps. (4.4) million |
| **Interest-Only Cross-Currency Swap (MXN/US$)** | | | |
| Notional | US$100 million | Ps. 1,280 million | |
| Interest | 7.63% semi-annual | 8.99% semi-annual | |
| Principal payments | n.a. | n.a. | |
| Expiration Date | | | Feb 2014 - Aug. 2015 |
| Estimated Fair Value | | | Ps. (5.1) million |
| **Interest-Only Cross-Currency Swap (MXN/US$)** | | | |
| Notional | US$490 million | Ps. 6,364 million | |
| Interest | 9.0% semi-annual | 9.56% semi-annual (avg.) | |
| Principal payments | n.a. | n.a. | |
| Expiration Date | | | Sept. 2014 |
| Estimated Fair Value | | | Ps. (43.3) million |
| **Interest-Only Cross-Currency Swap (MXN/US$)** | | | |
| Notional | US$200 million | Ps. 2,568 million | |
| Interest | 9.0% semi-annual | 9.85% semi-annual (avg.) | |
| Principal payments | n.a. | n.a. | |
| Expiration Date | | | Sept. 2015 |
| Estimated Fair Value | | | Ps. (12.1) million |
| **Interest-Only Cross-Currency Swap (MXN/US$)** | | | |
| Notional | US$44 million | Ps. 614 million | |
| Interest | libor + 4% quarterly | 5.06% quarterly | |
| Principal payments | n.a. | n.a. | |
| Expiration Date | | | Nov. 2012 |
| Estimated Fair Value | | | Ps. (3.8) million |
| **Full Cross-Currency Swap (MXN/US$) - Principal included** | | | |
| Notional | US$44 million | Ps. 593 million | |
| Interest | libor + 4% quarterly | 11.51% quarterly | |
| Principal payments | n.a. | n.a. | |
| Expiration Date | | | Nov. 2012 - Nov. 2015 |
| Estimated Fair Value | | | Ps. (38) million |
| **Zero-strike Equity Call Option** | | | |
| Notional | | | 30.4 million AXTELCPO |
| Value | 30.4 million AXTELCPO | Strike price: ¢1 per CPO | |
| Settlement | | | In cash |
| Expiration Date | | | July 2012 |
| Valuation | | | Ps. 130.4 million |

## *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, 2012 and 2011; three-month period ending on December 31, 2011; and twelve-month period ending on March 31, 2012, and

   – Balance sheet information as of March 31, 2012 and 2011; and December 31, 2011.

For illustrative purposes only, we are presenting information for the twelve-month period ending on March 31, 2011 which was prepared based on Mexican financial reporting standards (FRS) in nominal pesos.

2) Revenues are derived from:

   i. Local services. We generate revenue by enabling our customers to originate and receive calls within a defined local service area and by providing offers with local calls, calls completed on a cellular line ("calling party pays," or CPP calls) and long distance minutes included in the monthly rent. Customers are charged a flat monthly fee for a variety of commercial offers and in certain offers, a per call fee for local calls ("measured service"), a per minute usage fee for CPP calls and value added services.

   ii. Long distance services. We generate revenues by providing long distance services (domestic and international) for our customers' completed calls from AXTEL lines.

   iii. Data & network. We generate revenues by providing data, Internet access and network services, like virtual private networks and private lines.

   iv. International traffic. We generate revenues terminating international traffic from foreign carriers.

   v. Other services. Include among others, activation fees, customer premises equipment (''CPE'') sales and revenues generated from integrated telecommunications services provided to corporate customers, financial institutions and government entities.

3) Cost of revenues include expenses related to the termination of our customers' cellular and long distance calls in other carriers' networks, as well as expenses related to billing, payment processing, operator services and our leasing of private circuit links.

4) Operating expenses include costs incurred in connection with general and administrative matters which incorporate compensation and benefits, the costs of leasing land related to our operations and costs associated with sales and marketing and the maintenance of our network.

5) Adjusted EBITDA is defined as net income plus interest, taxes, depreciation and amortization, and further adjusted for extraordinary or non-recurrent income and expenses. For additional detail on the Adjusted EBITDA Reconciliation, go to AXTEL's web site at www.axtel.com.mx

6) Earnings per CPO are calculated dividing the net income by the average number of Series A and Series B shares outstanding during the period divided by seven. The number of outstanding Series A and Series B shares was 96,636,627 and 8,672,716,596, respectively, as of March 31, 2012.

## *Other important information*

7) Net Debt to Adjusted EBITDA: The figure comes from dividing the net debt, including cash and mark-to-market of derivative instruments, at the end of the period by the respective Adjusted EBITDA.

8) Revenue Generating Unit, or RGU, represents individual service subscriber who generates recurring revenue for the Company. Total RGUs include the sum of all lines in service and broadband service customers or subscribers

9) Breakdown of AXTEL's revenues including its major wholesale customer:

**Sources of Revenues**

| Million Pesos | Q1 2012 | Q1 2011 | Q4 2011 | LTM mar-12 | LTM mar-11 |
|---|---|---|---|---|---|
| Local | 917 | 1,095 | 953 | 3,982 | 4,494 |
| Long Distance | 303 | 293 | 323 | 1,234 | 1,169 |
| Data & Network | 685 | 656 | 668 | 2,624 | 2,552 |
| Int'l. Traffic | 201 | 270 | 335 | 1,177 | 1,206 |
| Other | 396 | 341 | 490 | 1,659 | 1,419 |
| | **2,503** | **2,655** | **2,768** | **10,677** | **10,840** |

10) 802.16e WiMAX is a IP-based voice and data wireless technology designed to deliver voice and data solutions, under fixed, portable, nomadic and mobile environments, to residential and business customers.

11) Depreciation and amortization includes depreciation of all communications network and equipment and amortization of pre-operating expenses and cost of spectrum licenses, among others.

**About AXTEL**

AXTEL is a Mexican telecommunications company that provides local and long distance telephony, broadband Internet, data and built-to-suit communications solutions in 39 cities and long distance connectivity to business and residential customers in over 200 cities. AXTEL provides telecommunications services using a suite of technologies including FWA, WiMAX, copper, fiber optic, point to multipoint radios and traditional point to point microwave access, among others.

AXTELCPO trades on the Mexican Stock Exchange and is part of the IPC Index. AXTEL's American Depositary Shares are eligible for trading in The PORTAL Market, a subsidiary of the NASDAQ Stock Market, Inc.

Visit AXTEL's Investor Relations Center on www.axtel.com.mx

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

Unaudited Consolidated Balance Sheet
March 31, 2012 and 2011 and December 31, 2011
(figures in Thousands of Mexican pesos)

| ASSETS | March-2012 | March-2011 | December-2011 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and equivalents | 460,594 | 780,604 | 1,372,896 |
| Restricted cash | 64,978 | 58,121 | 52,127 |
| Accounts receivable | 2,191,240 | 2,054,971 | 2,018,013 |
| Refundable taxes and other accounts receivable | 267,708 | 298,661 | 344,080 |
| Advances to suppliers | 126,722 | 67,584 | 79,580 |
| Inventories | 136,658 | 165,385 | 152,756 |
| Financial Instruments (Zero Strike Call) | 130,350 | 211,477 | 135,212 |
| Financial Instruments (others) | 29,958 | - | 184,911 |
| **Total current assets** | **3,408,208** | **3,636,803** | **4,339,575** |
| | | | |
| **Non current assets** | | | |
| Property, plant and equipment, net | 15,199,464 | 15,761,202 | 15,423,023 |
| Long-term accounts receivable | 16,082 | 23,865 | 17,712 |
| Intangible assets, net | 254,919 | 295,245 | 265,001 |
| Deferred income taxes | 1,730,543 | 1,622,131 | 1,853,392 |
| Investment in assoc. Cos. & other investments | 9,649 | 45,147 | 9,667 |
| Other assets | 179,194 | 192,351 | 183,584 |
| **Total non current assets** | **17,389,851** | **17,939,941** | **17,752,379** |
| | | | |
| **TOTAL ASSETS** | **20,798,059** | **21,576,744** | **22,091,954** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Account payable & Accrued expenses | 2,102,365 | 2,456,781 | 2,395,837 |
| Accrued Interest | 63,390 | 59,302 | 297,107 |
| Short-term debt | - | 352,000 | - |
| Current portion of long-term debt | 362,173 | 314,334 | 380,880 |
| Taxes payable | 71,321 | 96,638 | 168,319 |
| Derivative Financial Instruments | 136,696 | 145,205 | 16,888 |
| Deferred Revenue | 554,333 | 579,166 | 567,878 |
| Other accounts payable | 146,261 | 188,277 | 199,849 |
| **Total current liabilities** | **3,436,539** | **4,191,703** | **4,026,758** |
| | | | |
| **Long-term debt** | | | |
| Long-term debt | 10,905,403 | 9,322,871 | 11,941,813 |
| Employee Benefits | 23,083 | 21,067 | 21,935 |
| Deferred revenue | 33,900 | 33,900 | 33,900 |
| Asset retirement obligation & other LT accounts | 272,448 | 250,669 | 265,362 |
| **Total long-term debt** | **11,234,834** | **9,628,507** | **12,263,010** |
| | | | |
| **TOTAL LIABILITIES** | **14,671,373** | **13,820,210** | **16,289,768** |
| | | | |
| **STOCKHOLDERS EQUITY** | | | |
| Capital stock | 6,625,536 | 6,625,536 | 6,625,536 |
| Additional paid-in capital | 644,710 | 644,710 | 644,710 |
| Reserve for repurchase of shares | 162,334 | 162,334 | 162,334 |
| Cumulative earnings (losses) | (1,110,457) | 554,349 | (1,606,086) |
| Change in the fair value of derivative instruments | (195,437) | (230,395) | (24,308) |
| | | | |
| **TOTAL STOCKHOLDERS EQUITY** | **6,126,686** | **7,756,534** | **5,802,186** |
| | | | |
| **TOTAL LIABILITIES AND STOCKHOLDERS EQ** | **20,798,059** | **21,576,744** | **22,091,954** |

**Axtel, S.A.B. de C.V. and Subsidiaries**
Unaudited Consolidated Income Statement
Periods ended March 31, 2012 and 2011
(figures in Thousands of Mexican pesos)

| | First Quarter ended March 31 | | | LTM ended March 31 | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | D% | 2012 | 2011 | D% |
| Rental. Installation, service and other income | 2,502,544 | 2,654,522 | -6% | 10,677,427 | 10,839,770 | -1% |
| Operating cost and expenses | | | | | | |
| Cost of sales and services | (624,696) | (758,764) | -18% | (2,665,201) | (3,021,026) | -12% |
| Selling and administrative expenses | (1,119,013) | (1,074,305) | 4% | (4,506,074) | (4,450,577) | 1% |
| Other income (expenses), net | 1,354 | 27,821 | -95% | (445,917) | 100,031 | n.a. |
| Depreciation and amortization | (751,605) | (786,633) | -4% | (3,067,796) | (3,071,283) | 0% |
| | (2,493,960) | (2,591,881) | -4% | (10,684,988) | (10,442,855) | 2% |
| Operating income (loss) | 8,584 | 62,641 | -86% | (7,561) | 396,915 | n.a. |
| Comprehensive financing result: | | | | | | |
| Interest expense | (267,343) | (243,097) | 10% | (1,026,826) | (967,790) | 6% |
| Interest income | 6,867 | 8,300 | -17% | 20,907 | 25,276 | -17% |
| Foreign exchange gain (loss), net | 968,680 | 310,679 | 212% | (618,331) | 373,228 | n.a. |
| Change in the fair value of derivative inst. | (14,334) | (4,558) | 214% | (83,662) | (64,659) | 29% |
| Comprehensive financing result, net | 693,870 | 71,324 | 873% | (1,707,912) | (633,945) | 169% |
| Income (loss) before income taxes, and equity in results of assoc. Cos. | 702,454 | 133,965 | 424% | (1,715,473) | (237,030) | 624% |
| Income tax | - | - | | - | (12,033) | n.a. |
| Deferred income tax | (215,387) | (75,438) | 186% | 171,880 | (63,015) | n.a. |
| IETU | (10,616) | (11,154) | -5% | (72,567) | (30,168) | 141% |
| Deferred IETU | 19,195 | 42,935 | -55% | (48,487) | 85,063 | -157% |
| Total income tax | (206,808) | (43,657) | 374% | 50,826 | (20,153) | n.a. |
| Equity in results of associated company | (17) | 1 | n.a. | (159) | 5 | n.a. |
| Net Income (Loss) | 495,629 | 90,309 | 449% | (1,664,806) | (257,178) | 547% |