

2nd Quarter 2018



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San Pedro Garza Garcia, Mexico, July 18, 2018 - Axtel, S.A.B. de C.V. (“Axtel” or “the Company”), a Mexican Information and Communications Technology company, announced today its unaudited second quarter results ended June 30, 2018⁽¹⁾. Axtel is a subsidiary of Alfa S.A.B. de C.V. (“ALFA”).

Million Pesos	Q2	Q1	Q2	(%) 2Q18 vs.		LTM'18	LTM'17	LTM Δ%
	2018	2018	2017	1Q18	2Q17			
Revenues	3,848	3,753	3,780	3%	2%	15,652	15,082	4%
EBITDA ⁽⁵⁾	1,416	1,379	1,507	3%	-6%	5,562	4,859	14%
EBITDA Margin	36.8%	36.7%	39.9%	+ 4 bps	- 309 bps	35.5%	32.2%	+ 332 bps
Net (loss) Income	-566	960	598	n.a.	n.a.	-1,161	112	n.a.
Capital Expenditures	798	545	652	47%	22%	2,875	3,327	-14%
Net Debt	19,753	18,625	18,378	6%	7%			
Net Debt / EBITDA ⁽⁶⁾	3.3x	3.3x	4.1x					

Highlights:

- ❖ Second-quarter results reflect the execution of Axtel's strategy of providing quality, value-added IT and Telecommunication solutions to its core enterprise and government customers. Core enterprise and government segments, and FTTx mass-market business revenues, recorded a 4% year-over-year growth, or 5% for the first semester, contributing to a 10% growth in EBITDA in the quarter, or 8% in the first semester.
- ❖ In the quarter, the Company continued proactively managing the balance between the mitigation of foreign exchange and interest rate risks and the impact of these transactions in its cashflow, as well as progressing in the projects to monetize non strategic assets to improve its capital structure and create value for shareholders.
- ❖ In June, Axtel signed a 3-year \$50 million-dollar, committed, revolving line of credit to optimize its cash balance, avoid unnecessary negative carry and maintain liquidity access for unforeseen events. Additionally, Axtel received Ps. 100 million from the sale of 12 additional towers to American Tower Corporation not previously contemplated in the original 2017 sale agreement.

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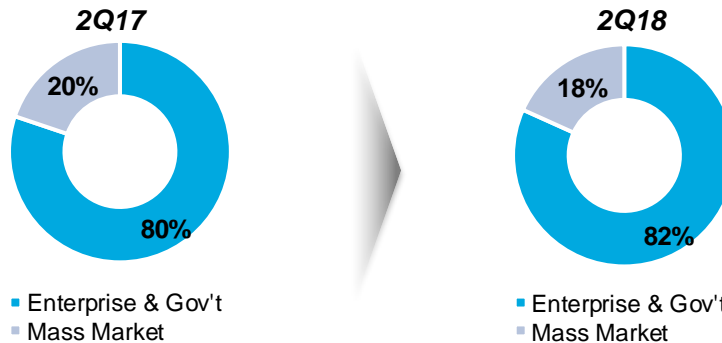
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Revenues

Million Pesos	Q2 2018	Q1 2018	Q2 2017	(%) 2Q18 vs.		LTM'18	LTM'17	LTM Δ%
				Q1 2018	Q2 2017			
ENTERPRISE	2,505	2,511	2,463	0%	2%	10,111	9,732	4%
GOVERNMENT	641	529	568	21%	13%	2,650	2,277	16%
MASS MARKET	703	713	749	-1%	-6%	2,891	3,073	-6%
TOTAL	3,848	3,753	3,780	3%	2%	15,652	15,082	4%



FTTx proportion within the revenue mix remained at 15%; wireless declined from 5% to 3%; Enterprise remained at 65% and Government increased from 15% to 17%.

Total revenues for the second quarter 2018 reached Ps. 3,848 million, compared to Ps. 3,780 million in the same period in 2017, a 2% increase, mainly due to 2% and 13% increases in the Enterprise and Government segments respectively, mitigated by a 6% decline in the mass market segment.

Enterprise

Million Pesos	Q2 2018	Q1 2018	Q2 2017	(%) 2Q18 vs.		LTM'18	LTM'17	LTM Δ%
				Q1 2018	Q2 2017			
TELECOM	2,194	2,226	2,205	-1%	-0.5%	8,886	8,772	1%
Voice	532	514	618	3%	-14%	2,168	2,534	-14%
Data and Internet	859	853	833	1%	3%	3,536	3,266	8%
Managed Networks	802	858	754	-6%	6%	3,183	2,972	7%
IT	311	286	258	9%	21%	1,225	960	28%
TOTAL ENTERPRISE	2,505	2,511	2,463	0%	2%	10,111	9,732	4%

Quarterly revenues totaled Ps. 2,505 million, compared to Ps. 2,463 million in the same period in 2017, a 2% increase, due to a rise in IT revenues.

Telecom revenues in the second quarter 2018 remained flat compared to the second quarter in the previous year, mainly due to an increase of 3% in *Data and Internet* and of 6% in *Managed Networks*, mitigated by a decrease of 14% in *Voice* revenues due to declines in fix-to-mobile and international traffic revenues.

IT revenues increased 21% year-over-year, mainly due to a significant increase in *managed applications* and *security*, and positive performances from *hosting* and *cloud services*. IT revenues coming from Red Compartida totaled Ps. 11 million.

Government

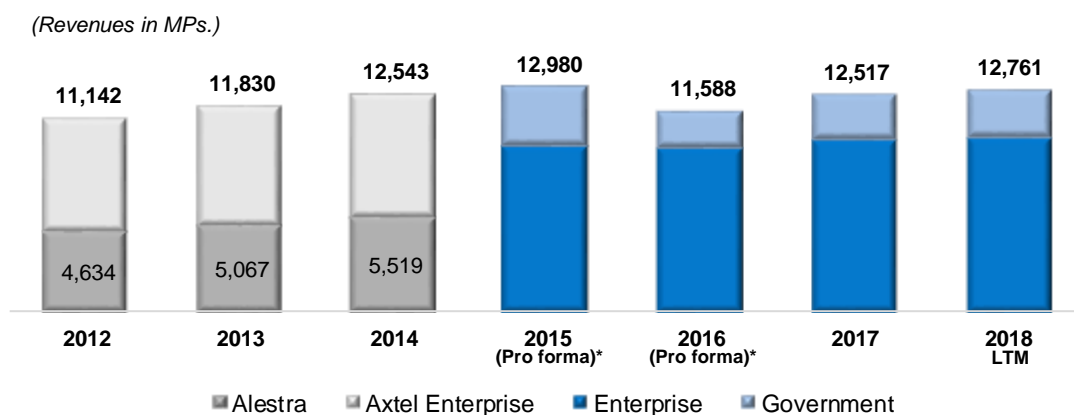
Million Pesos	Q2 2018	Q1 2018	Q2 2017	(% 2Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q1 2018	Q2 2017			
TELECOM	416	355	344	17%	21%	1,704	1,188	43%
Voice	39	38	49	2%	-21%	152	159	-4%
Data and Internet	92	62	88	47%	4%	357	359	-1%
Managed Networks	286	254	207	12%	38%	1,195	670	78%
IT	225	174	225	29%	0%	946	1,089	-13%
TOTAL GOVERNMENT	641	529	568	21%	13%	2,650	2,277	16%

Government segment revenues amounted to Ps. 641 million in the second quarter of 2018, compared to Ps. 568 million in the same period in 2017, a 13% increase mainly due to a rise in Telecom revenues. Recurrent revenues increased 7% compared to the same period in 2017.

Telecom revenues increased 21%. *Managed networks* increased 38% due to a strong increase in VPN solutions from a service contract signed in the fourth quarter of 2017. *Data and internet* increased 4% due to a rise of 30% in Internet services related to a new project for a federal government entity. However, *voice* revenues decreased 21% mainly due to a decline in fix-to-mobile revenues.

IT revenues remained unchanged mainly due to an increase in *system integration*, mitigated by decreases of 29% in *hosting* and 54% in *security* revenues. System integration revenues increased in part due to the implementation of IFRS 15 standard where the Company recognizes all the revenues from equipment sales under new contract at the start of the contract.

Enterprise and Government Segment Evolution



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

Mass Market ⁽²⁾

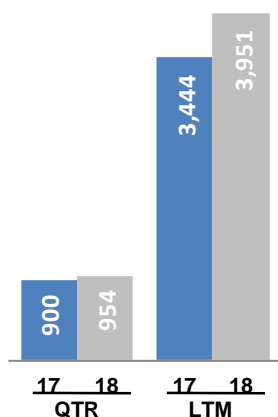
Million Pesos	Q2 2018	Q1 2018	Q2 2017	(%) 2Q18 vs.		LTM'18	LTM'17	LTM Δ%
				Q1 2018	Q2 2017			
FTTx	596	584	555	2%	7%	2,322	2,122	9%
Legacy Technologies	107	129	194	-17%	-45%	569	952	-40%
TOTAL MASS MARKET	703	713	749	-1%	-6%	2,891	3,073	-6%

Quarterly revenues declined 6%:

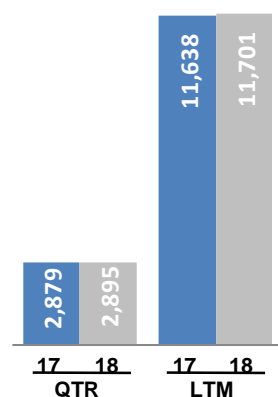
FTTx revenues totaled Ps. 596 million in the second quarter of 2018, compared to Ps. 555 million for same period in 2017. While customers increased 12% year-over-year, *FTTx* revenues increased only 7% due to a decline in video penetration within the customer base from 49% in second quarter 2017 to 44% this quarter. Voice revenues increased 1% resulting from a 3% increase in monthly rent revenues. Internet revenues increased 20%, while video revenues decreased 4%.

Legacy wireless technologies revenues amounted to Ps. 107 million in the second quarter of 2018, a 45% decrease compared to the same period in 2017, explained by a 51% decline in customers.

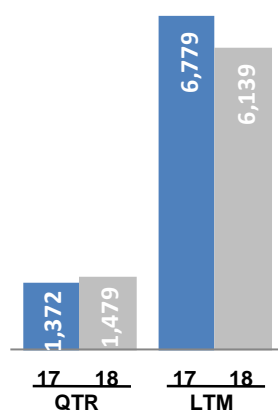
Cost of Revenues (in MPs.)



Gross Profit (in MPs.)



Expenses (in MPs.)



Cost of revenues and Operating and Other expenses

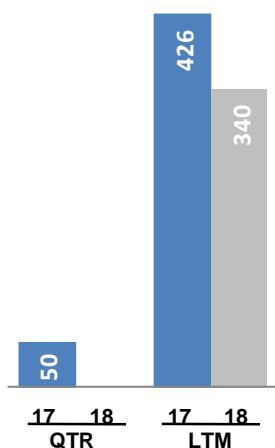
Cost of revenues⁽³⁾. For the three month period ended June 30, 2018, the cost of revenues represented Ps. 954 million, a 6% or Ps. 53 million increase compared to the same period of year 2017, due to increases in both *IT* and *Telecom* costs. LTM 2Q18 costs increased 15% mainly due to a significant 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. 315 million in LTM2Q18 vs LTM2Q17.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the second quarter of 2018, the gross profit accounted for Ps. 2,895 million, representing a 1% increase compared to the same period in year 2017, mainly due to increases in *IT* and *Telecom Managed Networks* and *Data and Internet* revenues and margins from the Enterprise segment, mitigated by declines in mass market revenues and government segment margins. Gross profit margin decreased from 76% to 75% year-over-year, explained by a decrease in Government segment margins.

Operating and other expenses⁽⁴⁾. In the second quarter of 2018, total expenses reached Ps. 1,479 million, 8% higher than the expenses recorded in the same period in 2017, mainly due to a decline in the positive effect of the tower sale from Ps. 313 million in 2Q17 to Ps. 100 million in 2Q18. On the other hand, operating expenses in the second quarter declined 6% mainly due to declines in personnel, outsourcing, and rents.

Merger Expenses

(in MPes.)



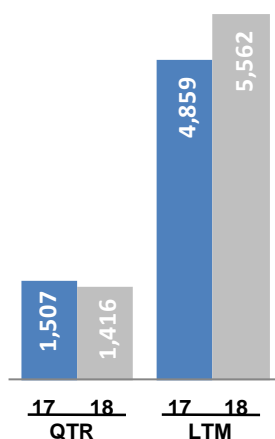
Merger expenses, EBITDA, Operating income (loss)

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 second quarter 2017, merger expenses totaled Ps. 50 million. For the twelve month period ending in June 30, 2018, merger expenses totaled Ps. 340 million, the most relevant being severance payments.

EBITDA

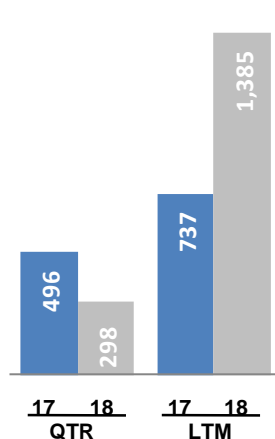
(in MPes.)



EBITDA⁽⁵⁾. For the second quarter of 2018, EBITDA reached Ps. 1,416 million, a 6% decrease from the same period in 2017. This figure includes Ps. 100 million of other income related to the sale of additional towers to American Tower Corporation, not previously contemplated in the 2017 tower sale agreement. Without this effect, EBITDA reached Ps. 1,315 million or 10% higher than the second quarter 2017, and 6% from LTM2Q17 to LTM 2Q18.

Operating income (loss)

(in MPes.)



Operating income (loss). In the second quarter of 2018, operating income totaled Ps. 298 million, Ps. 198 million lower than the same quarter of last year, mainly due to a lower level of other income in second quarter 2018 of Ps. 95 million related to the new tower sale, compared to Ps. 298 million of other income in second quarter 2017 related to the first phase of the original tower sale agreement. Last twelve months operating income recorded a strong increase due to Ps. 488 million of other income related to the tower sales and an increase in EBITDA.

Comprehensive Financing Result

Million Pesos	Q2 2018	Q1 2018	Q2 2017	(%) 2Q18 vs.		LTM'18	LTM'17	LTM Δ%
				Q1 2018	Q2 2017			
Net interest expense	(461)	(404)	(336)	14%	37%	(1,762)	(1,282)	-37%
FX gain (loss), net	(264)	943	665	n.a.	n.a.	(777)	713	n.a.
Ch. in FV of fin. Instruments	(6)	13	(22)	n.a.	-74%	70	(154)	n.a.
Total	(731)	552	307	n.a.	n.a.	(2,469)	(723)	>100%

The comprehensive financing cost reached Ps. 731 million in the second quarter of 2018, compared to an income of Ps. 307 million in the same period of 2017. This incline is explained mostly by a FX loss during the second quarter of 2018 due to an 8% depreciation of the Mexican peso, compared to a FX gain related to a 5% appreciation of the Mexican peso in the second quarter of 2017. Interest expense increased 36% due to higher interest rates and the substitution of bank debt for senior unsecured 7-year notes.

Total Debt and Net Debt ⁽⁷⁾

Million Pesos	Q2 2018	Q1 2018	Q2 2017
Senior Notes 2024	9,932	9,172	-
Bank Facilities	6,000	6,000	15,208
Other loans	4,228	3,846	3,819
Other financing obligations	427	462	449
Accrued interests	145	290	144
Total Debt	20,732	19,770	19,620
(-) Cash and cash equivalents	(979)	(1,145)	(1,242)
Net Debt	19,753	18,625	18,378

Total Debt. At the end of the second quarter 2018, debt denominated in dollars increased US\$2 million and debt denominated in pesos decreased Ps. 302 million, in comparison with second quarter 2017, resulting in an effective decrease of Ps. 257 million pesos, or US\$14 million, without the exchange rate effect.

At the end of the quarter, total debt increased Ps. 1,112 million in comparison with second quarter 2017, mostly explained by (i) a Ps. 8,949 million increase related to the 2024 Senior Note; (ii) a Ps. 8,909 million decrease in Bank Facilities due to the prepayment of the syndicated bank facility; (iii) a Ps. 298 million decrease from other loans and financial leases; (vi) a Ps. 1 million increase in accrued interests and (v) a Ps. 1,369 million non-cash increase caused by the 10% depreciation of the Mexican peso, year-over-year.

Cash. As of the end of the second quarter of 2018, the cash balance totaled Ps. 979 million, compared to Ps. 1,242 million a year ago, and Ps. 1,145 million at the beginning of the quarter. The cash balance at the end of the quarter includes Ps. 168 million restricted cash.

Capital Expenditures

In the second quarter of 2018, capital investments totaled Ps. 798 million, or US\$41 million, compared to Ps. 652 million, or US\$35 million, in the year-earlier quarter, a 22% increase 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 June 30, 2018 and 2017, and March 31, 2018; and twelve month period ending on June 30, 2018 and 2017, and
 - Balance sheet information as of June 30, 2018 and 2017; and March 31, 2018.

2) Mass market operating data:

<i>In thousands</i>	Q2 2018	Q1 2018	Q2 2017
FTTX			
Customers	277	272	247
RGUs	750	738	676
<i>Lines in service</i>	348	342	306
<i>Broadband subscribers</i>	280	275	248
<i>Video subscribers</i>	122	121	122
LEGACY TECHNOLOGIES			
Customers	77	95	156
RGUs	150	187	301
<i>Lines in service</i>	87	107	172
<i>Broadband subscribers</i>	63	80	129

* 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 exposure to exchange rate risk, Axtel has entered into exchange rate forward transactions for an outstanding amount as of 2Q18 of ~US\$514 million at an average exchange rate of 18.7 MXN/USD, where Axtel buys USD and sells MXN. During the quarter, the Company contracted a "capped risk forward" (FX FWD plus a put option) for US\$300 million expiring in Sept.'18 to reduce the impact in its intrinsic value from foreign exchange risk at an average exchange rate of 18.7 MXN/USD and put option's strike of 17.0 MXN/USD. In May, Axtel extended the expiration of US\$179 million FX FWD transaction to July 30, 2018 at 18.72 MXN/USD. Lastly, in June, to reduce exposure to interest rate risk, Axtel entered into an interest rate swap (IRS) transaction for Ps. 3,380 million of its bank loan, receiving TIIE and paying a fix rate of 8.355%.

FWD:

Expiration Date	Amount (Mdlls)	Avg. FX rate
Jul'18	192	18.7
Sep'18	300	18.7
Oct'18	6	19.4
Nov'18	16	19.4
TOTAL	514	18.7

IRS:

Amount (MPs)	Axtel receives	Axtel pays
3,380	TIIE	8.355%

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

Unaudited Consolidated Balance Sheet

(in Thousand Mexican pesos)

	Jun-18	Mar-18	Jun-17	(%) Jun-18 vs. Jun-17
ASSETS				
CURRENT ASSETS				
Cash and equivalents	811,446	979,989	1,085,102	(25)
Accounts receivable	2,953,795	2,935,677	2,951,270	0
Related parties	34,569	28,135	23,074	50
Refundable taxes and other accounts receivable	933,152	941,965	788,648	18
Advances to suppliers	652,200	535,709	413,190	58
Inventories	224,054	267,187	171,608	31
Derivative financial instruments	633,832	-	-	n.a.
Financial instruments (Zero Strike Call)	172,535	177,750	163,843	5
Total current assets	6,415,584	5,866,412	5,596,735	15
NON CURRENT ASSETS				
Restricted cash	167,700	164,784	157,364	7
Property, plant and equipment, net	18,596,113	18,907,594	19,390,406	(4)
Long-term accounts receivable	17,432	-	-	n.a.
Intangible assets, net	1,393,135	1,390,006	1,643,504	(15)
Deferred income taxes	3,815,654	3,847,870	3,814,222	0
Investment in shares	157,295	139,427	22,260	>100
Other assets	375,524	273,890	191,716	96
Total non current assets	24,522,853	24,723,572	25,219,473	(3)
TOTAL ASSETS	30,938,437	30,589,984	30,816,208	0
LIABILITIES & STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Account payable & Accrued expenses	3,540,108	3,325,428	3,210,665	10
Accrued Interest	145,182	290,074	143,922	1
Short-term debt	206,702	207,320	411,410	(50)
Current portion of long-term debt	717,063	635,811	437,714	64
Taxes payable	37,722	22,532	144,474	(74)
Derivative financial instruments	54,094	70,673	-	n.a.
Deferred Revenue	486,647	755,848	428,272	14
Provisions	27,825	39,735	26,070	7
Other accounts payable	2,940,244	2,040,157	2,013,642	46
Total current liabilities	8,155,589	7,387,578	6,816,169	20
LONG-TERM LIABILITIES				
Long-term debt	19,442,872	18,416,291	18,492,992	5
Employee Benefits	612,392	641,594	506,768	21
Other LT liabilities	2,788	713,998	986,307	(100)
Total long-term debt	20,058,052	19,771,883	19,986,067	0
TOTAL LIABILITIES	28,213,641	27,159,461	26,802,237	5
STOCKHOLDERS EQUITY				
Capital stock	464,371	464,371	365,512	27
Additional paid-in capital	159,551	159,551	-	n.a.
Reserve for repurchase of shares	-	-	-	n.a.
Cumulative earnings	2,100,875	2,806,600	3,648,459	(42)
TOTAL STOCKHOLDERS' EQUITY	2,724,796	3,430,522	4,013,972	(32)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	30,938,437	30,589,983	30,816,208	0

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

	2Q18	1Q18	2Q17	(% 2Q18 vs.)		LTM'18	LTM'17	Δ%
				1Q18	2Q17			
Total Revenues	3,848,377	3,752,886	3,779,825	3	2	15,651,738	15,082,143	4
Operating cost and expenses								
Cost of sales and services	(953,710)	(835,012)	(900,331)	14	6	(3,950,949)	(3,444,015)	15
Selling, administrative and other expenses	(1,574,645)	(1,660,756)	(1,670,031)	(5)	(6)	(6,627,209)	(6,708,427)	(1)
Other income (expenses), net	95,488	121,761	297,604	(22)	(68)	487,989	(70,961)	n.a.
Asset impairment	(37,752)	(8,626)	(3,433)	>100	>100	(55,638)	(52,190)	7
Depreciation and amortization Cost	(917,202)	(877,176)	(885,910)	5	4	(3,509,320)	(3,407,693)	3
Depreciation and amortization Expenses	(162,467)	(149,935)	(121,553)	8	34	(611,771)	(661,872)	(8)
	<u>(3,550,288)</u>	<u>(3,409,745)</u>	<u>(3,283,654)</u>	<u>4</u>	<u>8</u>	<u>(14,266,898)</u>	<u>(14,345,159)</u>	<u>(1)</u>
Operating income (loss)	<u>298,090</u>	<u>343,141</u>	<u>496,172</u>	<u>(13)</u>	<u>(40)</u>	<u>1,384,840</u>	<u>736,984</u>	<u>88</u>
Comprehensive financing result:								
Interest expense	(471,103)	(419,088)	(346,433)	12	36	(1,821,785)	(1,317,181)	38
Interest income	9,783	14,683	10,267	(33)	(5)	60,155	35,053	72
Foreign exchange gain (loss), net	(264,497)	942,687	665,219	n.a.	n.a.	(776,960)	713,267	n.a.
Change in fair value of fin. instruments	(5,642)	13,473	(22,060)	n.a.	(74)	69,713	(154,344)	n.a.
Comprehensive financing result, net	<u>(731,459)</u>	<u>551,754</u>	<u>306,993</u>	<u>n.a.</u>	<u>n.a.</u>	<u>(2,468,876)</u>	<u>(723,205)</u>	<u>>100%</u>
Equity in results of associated company	<u>0</u>	<u>(0)</u>	<u>0</u>	<u>n.a.</u>	<u>>100</u>	<u>0</u>	<u>(5,189)</u>	<u>n.a.</u>
Income (loss) before income taxes,	<u>(433,369)</u>	<u>894,895</u>	<u>803,165</u>	<u>n.a.</u>	<u>n.a.</u>	<u>(1,084,036)</u>	<u>8,590</u>	<u>n.a.</u>
Income taxes:								
Current	(38,969)	(36,664)	33,799	6	n.a.	(5,664)	(200,718)	(97)
Deferred	(93,266)	101,733	(239,024)	n.a.	(61)	(71,293)	304,003	n.a.
Total income taxes	<u>(132,235)</u>	<u>65,068</u>	<u>(205,225)</u>	<u>n.a.</u>	<u>(36)</u>	<u>(76,957)</u>	<u>103,285</u>	<u>n.a.</u>
Net Income (Loss)	<u>(565,605)</u>	<u>959,963</u>	<u>597,940</u>	<u>n.a.</u>	<u>n.a.</u>	<u>(1,160,993)</u>	<u>111,875</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