

3rd Quarter 2017



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San Pedro Garza Garcia, Mexico, October 16, 2017 - Axtel, S.A.B. de C.V. (“Axtel” or “the Company”), a Mexican Information and Communications Technology company, announced today its unaudited third quarter results ended September 30, 2017⁽¹⁾. Axtel is a subsidiary of Alfa S.A.B. de C.V. (“ALFA”).

Million Pesos	Q3	Q2	Q3	(% 3Q17 vs.		LTM	LTM
	2017	2017	2016	2Q17	3Q16	sep-17	sep-16
Revenues ⁽²⁾	3,764	3,780	3,836	0%	-2%	15,010	12,986
EBITDA ⁽⁵⁾	1,317	1,507	1,265	-13%	4%	4,912	3,179
EBITDA Margin	35.0%	39.9%	33.0%	- 487 bps	+ 203 bps	32.7%	24.5%
Net (loss) Income	-632	598	-451	n.a.	-40%	-70	-3,148
Capital Expenditures	748	652	942	15%	-21%	3,133	3,652
Net Debt	18,723	18,378	19,693	2%	-5%		
Net Debt / EBITDA ⁽⁶⁾	4.0x	4.1x	4.2x				

Note: Figures shown throughout the document include Alestra S. de R.L. de C.V. and its subsidiaries (“Alestra”) as of February 15, 2016.

Highlights:

- ❖ Third quarter results continued demonstrating Axtel’s commitment to deliver IT and Telecom solutions to enterprise and government customers under the highest standards of quality and service. Axtel’s core segments posted positive results during the quarter. Enterprise and Government recurring revenues increased 5% year-over-year, contributing to a 6% year to date revenues growth, on a pro forma basis and excluding the negative effect from the legacy mass market wireless segment. In the quarter, recurrent revenues represented 95 and 87% of total Enterprise and Government segments, respectively.
- ❖ In the third quarter, Axtel executed the second tranche of the Tower Sale agreement with American Tower Corporation reflecting a net benefit of Ps. 162 million, expecting to receive regulatory approvals to conclude the transaction in the fourth quarter 2017.
- ❖ During the quarter, relevant progress was accomplished in the business strategy towards the *Red Compartida* project. Axtel continued implementing infrastructure and capacity under its vendor agreement with ALTAN, supplying metropolitan links, fiber capacity, collocation and datacenter services to support ALTAN’s initial population coverage obligation due in March 2018. These investments should be translated in revenues in excess of Ps. 250 million in 2018.
- ❖ The positive trend in Axtel’s performance and the benefits from the tower divestiture have contributed to the 7% and 5% increases in the quarterly and pro forma LTM EBITDA, excluding merger-related expenses.

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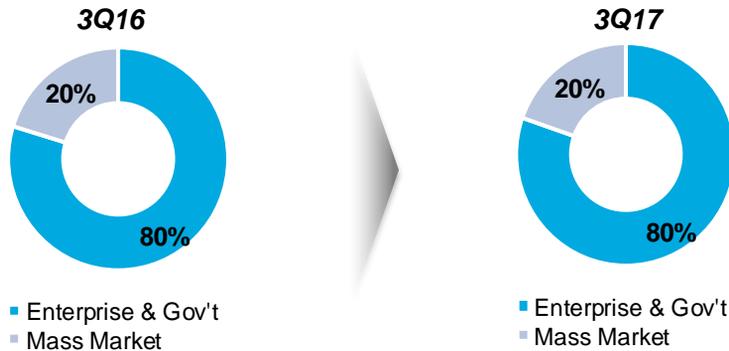
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Revenues

Million Pesos	Q3 2017	Q2 2017	Q3 2016	(% 3Q17 vs.)		LTM sep-17	LTM sep-16
				Q2 2017	Q3 2016		
ENTERPRISE	2,482	2,463	2,431	1%	2%	9,784	7,536
GOVERNMENT	540	568	628	-5%	-14%	2,188	2,291
MASS MARKET	742	749	778	-1%	-5%	3,038	3,158
TOTAL	3,764	3,780	3,836	0%	-2%	15,010	12,986

Note: Figures shown throughout the document include Alestra as of February 15, 2016.



FTTx proportion within the revenue mix increased from 13% in 3Q16 to 15% in 3Q17; wireless declined from 7% to 5%; Enterprise increased from 63% to 66% and Government declined from 16% to 14%.

Enterprise

Million Pesos	Q3 2017	Q2 2017	Q3 2016	(% 3Q17 vs.)		LTM sep-17	LTM sep-16
				Q2 2017	Q3 2016		
TELECOM	2,207	2,205	2,209	0%	0%	8,770	6,936
Voice	563	618	685	-9%	-18%	2,413	2,279
Data and Internet	887	833	770	7%	15%	3,383	2,180
Managed Networks	757	754	754	0%	0%	2,974	2,476
IT	275	258	221	7%	24%	1,014	600
TOTAL ENTERPRISE	2,482	2,463	2,431	1%	2%	9,784	7,536

Quarterly revenues totaled Ps. 2,482 million, compared to Ps. 2,431 million in the same period in 2016, a 2% increase, mainly due to an increase in IT revenues.

Telecom revenues in the third quarter remained unchanged compared to the third quarter in the previous year. *Voice* revenues decreased 18% due to reductions in fix-to-mobile and international long distance revenues. *Data and Internet* revenues increased 15% due to strong demand for dedicated internet from existing enterprise customers. *Managed networks* remained unchanged year-over-year, as a 29% decline in managed services was compensated with a 21% increase in Ethernet solutions.

IT revenues increased 24% year-over-year, mainly due to a 36% increase in *systems integration* and positive performances of *hosting, security and cloud services*.

Government

Million Pesos	Q3 2017	Q2 2017	Q3 2016	(% 3Q17 vs.)		LTM sep-17	LTM sep-16
				Q2 2017	Q3 2016		
TELECOM	352	344	281	3%	25%	1,259	1,116
Voice	36	49	32	-28%	11%	162	195
Data and Internet	100	88	88	14%	13%	371	310
Managed Networks	217	207	161	5%	35%	726	611
IT	187	225	347	-17%	-46%	930	1,176
TOTAL GOVERNMENT	540	568	628	-5%	-14%	2,188	2,291

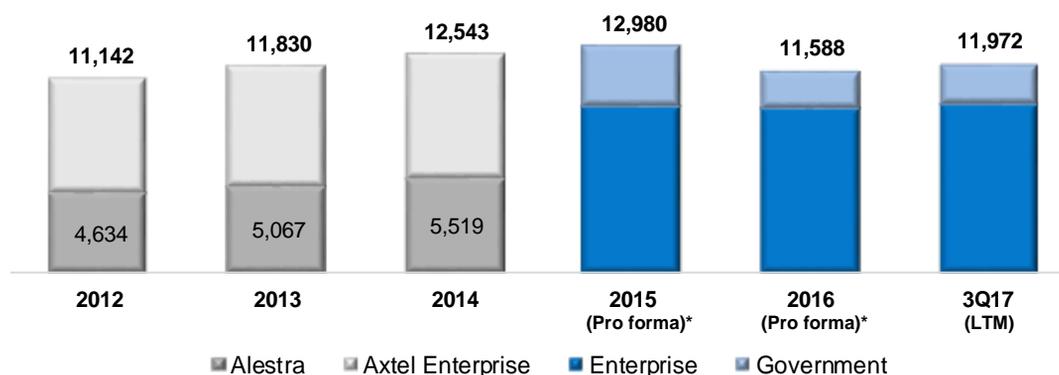
Government segment revenues amounted to Ps. 540 million in the third quarter of 2017, compared to Ps. 628 million in the same period in 2016, a 14% decrease mainly due to a decline in IT revenues.

Telecom revenues increased 25%. *Voice revenues* increased 11%. *Data and internet* increased 13% and *managed networks* increased 35% due to increase in VPN solutions and to a strong increase in managed services.

IT revenues declined 46% mainly due to a 73% decline in *system integration* services due to non-recurrent revenues in the third quarter of 2016.

Enterprise and Government Segment Evolution

(Revenues in MPs.)



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

Mass Market (2)

Million Pesos	Q3 2017	Q2 2017	Q3 2016	(% 3Q17 vs.		LTM sep-17	LTM sep-16
				Q2 2017	Q3 2016		
FTTx	566	555	499	2%	14%	2,189	1,876
Legacy Technologies	176	194	279	-10%	-37%	849	1,282
TOTAL MASS MARKET	742	749	778	-1%	-5%	3,038	3,158

Quarterly revenues declined 5%:

FTTx revenues totaled Ps. 566 million in the third quarter of 2017, compared to Ps. 499 million for same period in 2016, representing a 14% increase in line with a 12% increase in customers. Voice revenues increased 13% resulting from a 17% increase in monthly rent revenues. Internet and video revenues increased 13% and 3% respectively, mainly due to increases in internet and video subscribers.

Legacy technologies revenues amounted to Ps. 176 million in the third quarter of 2017, a 37% decrease compared the same period in 2016, explained by a 44% decline in customers.

Cost of Revenues

(in MP\$.)



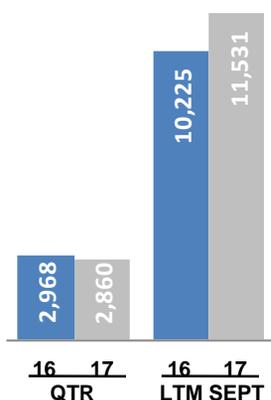
Cost of revenues and Operating and Other expenses

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

Cost of revenues⁽³⁾. For the three month period ended September 30, 2017, the cost of revenues represented Ps. 904 million, a 4% or Ps. 35 million increase compared to the same period of year 2016, mainly due to a 33% increase in *Telecom* costs, partially mitigated by a 38% decline in *IT* costs. 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 a year-over-year increase of Ps. 132 million in the quarter.

Gross Profit

(in MP\$.)



Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the third quarter of 2017, the gross profit accounted for Ps. 2,860 million, representing a 4% decline compared to the same period in year 2016, mainly due to decreases in *Mass Market* and *Telecom voice* gross profit, partially compensated by an increase in *Telecom Data and Internet* gross profit. Gross profit margin declined from 77% to 76% year-over-year.

Expenses

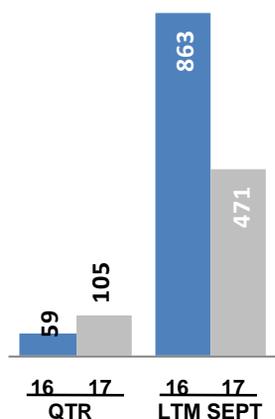
(in MP\$.)



Operating and other expenses⁽⁴⁾. In the third quarter of year 2017, total expenses reached Ps. 1,543 million, 9% lower than the expenses recorded in the same period in 2016, mainly due to the net positive effect of Ps. 162 million in other income related to the second phase of the tower sale recorded during the quarter and no change in operating expenses year-over-year.

Merger Expenses

(in MPes.)



Merger expenses, EBITDA, Operating income (loss)

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

Merger and integration expenses. For the third quarter 2017 expenses related to the Axtel-Alestra merger totaled Ps. 105 million, compared to Ps. 59 million in the year-earlier quarter. For the twelve month period ended September 30, 2017, merger expenses totaled Ps. 471 million, the most relevant being severance payments.

EBITDA

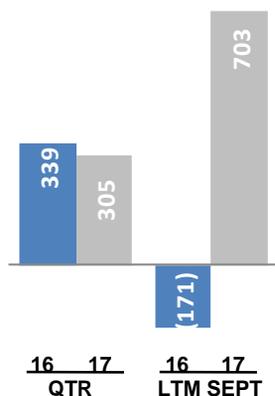
(in MPes.)



EBITDA⁽⁵⁾. For the third quarter of 2017, EBITDA reached Ps. 1,317 million, a 4% increase from the same period in 2016. This figure includes Ps. 162 million of other income related to the second tranche of the tower sale. Without the tower sale benefit nor the merger-related expenses, EBITDA reached Ps. 1,260 million or 5% lower than the third quarter 2016, mainly due to declines in the legacy wireless mass market business revenues and non-recurrent extraordinary revenues recorded in the year-earlier quarter.

Operating income (loss)

(in MPes.)



Operating income (loss). In the third quarter of 2017, operating income totaled Ps. 305 million, 10% lower compared to Ps. 339 million a year earlier quarter, mainly due to an increase in costs and depreciation and amortization, partially mitigated by the Ps. 162 million of other income registered this quarter related to the second phase of the tower sale.

Comprehensive Financing Result

Million Pesos	Q3 2017	Q2 2017	Q3 2016	(% 3Q17 vs.)		LTM sep-17	LTM sep-16
				Q2 2017	Q3 2016		
Net interest expense	(382)	(336)	(268)	14%	43%	(1,396)	(1,843)
FX gain (loss), net	(238)	665	(483)	n.a.	-51%	957	(1,993)
Ch. in FV of fin. Instruments	6	(22)	(79)	n.a.	n.a.	(69)	(128)
Total	(614)	307	(829)	n.a.	-26%	(508)	(3,964)

The comprehensive financing cost reached Ps. 614 million in the third quarter of 2017, a 26% decrease compared to Ps. 829 million in the same period of 2016, mostly explained by the lower FX loss during the third quarter of 2017 due to a 2% depreciation of the Mexican peso, compared to an FX loss of Ps. 483 million in the third quarter 2016 related to a 3% depreciation of the Mexican peso, partially mitigated by an increase in interest expense year-over-year due to increase in interest rates.

Total Debt and Net Debt ⁽⁷⁾

Million Pesos	Q3 2017	Q2 2017	Q3 2016
Syndicated Credit Facility	15,359	15,208	16,010
Other loans	3,705	3,819	3,809
Other financing obligations	403	449	666
Accrued interests	139	144	114
Total Debt	19,605	19,620	20,599
(-) Cash and cash equivalents	(882)	(1,242)	(906)
Net Debt	18,723	18,378	19,693

Total Debt. At the end of the third quarter 2017, total debt decreased Ps. 994 million in comparison with third quarter 2016, mostly explained by (i) a Ps. 111 million decrease in a long-term credit facility with Bancomext; (ii) a Ps. 9 million decrease in other loans and financial leases; (iii) a Ps. 25 million increase in accrued interests and (iv) a Ps. 899 million non-cash decrease caused by the 7% appreciation of the Mexican peso.

Cash. As of the end of the third quarter of 2017, the cash balance totaled Ps. 882 million, compared to Ps. 906 million a year ago, and Ps. 1,242 million at the beginning of the quarter. The cash balance at the end of the quarter includes Ps. 160 million restricted cash.

Capital Expenditures

In the third quarter of 2017, capital investments totaled Ps. 748 million, or US\$42 million, compared to Ps. 942 million, or US\$50 million, in the year-earlier quarter, a 21% decline.

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 September 30, 2017 and 2016, and June 30, 2016; and twelve month period ending on September 30, 2017 and 2016, and
 - Balance sheet information as of September 30, 2017 and 2016; and June 30, 2016.

- 2) Mass market operating data:

<i>In thousands</i>	Q3 2017	Q2 2017	Q3 2016
FTTX			
Customers	253	247	225
RGUs	693	676	614
<i>Lines in service</i>	317	306	266
<i>Broadband subscribers</i>	255	248	225
<i>Video subscribers</i>	121	122	123
LEGACY TECHNOLOGIES			
Customers	135	156	241
RGUs	263	301	445
<i>Lines in service</i>	150	172	263
<i>Broadband subscribers</i>	113	129	182

* 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) As part of the merger agreement approved on the January 15, 2016 Extraordinary General Shareholder's Meeting, Alfa had the right to increase its ownership in Axtel by up to 2.5%, or the obligation to contribute cash to Axtel, depending on the average exchange rate of an 18-month period ending on July 14, 2017. Given that the average exchange rate of the period was above 18.50 pesos per dollar, Axtel transferred 1,019,287,950 Class "I" Series "B" shares to Alfa, equivalent to an additional participation of Alfa in Axtel of 2.5%. Resulting from this agreed-upon merger consideration, the number of outstanding, subscribed paid-up Class "I" Series "B" shares is 20,249,227,481 as of the date of this report. Please note seven Series "B" shares are equivalent to one AXTELCPO.

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 42 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 53.5% 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

Axtel, S.A.B. de C.V. and Subsidiaries
 Unaudited Consolidated Balance Sheet
 September 30, 2017 and 2016 and June 30, 2017
(in Thousand Mexican pesos)

ASSETS	September-2017	June-2017	September-2016
Current assets:			
Cash and equivalents	721,797	1,085,102	754,412
Accounts receivable	3,204,734	2,951,270	3,418,084
Related parties	25,696	23,074	23,872
Refundable taxes and other accounts receivable	781,338	788,648	999,722
Advances to suppliers	547,883	413,190	787,526
Inventories	216,397	171,608	145,056
Financial Instruments	187,746	163,843	193,830
Total current assets	5,685,590	5,596,735	6,322,501
Non current assets			
Restricted cash	159,908	157,364	151,807
Property, plant and equipment, net	19,258,561	19,390,406	19,769,153
Long-term accounts receivable	-	-	52,244
Intangible assets, net	1,531,669	1,643,504	1,969,355
Deferred income taxes	3,395,906	3,814,222	3,586,486
Investment in shares of associated co. & other inv.	22,260	22,260	13,207
Other assets	222,715	191,716	209,702
Total non current assets	24,591,019	25,219,473	25,751,954
TOTAL ASSETS	30,276,609	30,816,208	32,074,455
LIABILITIES			
Current liabilities			
Account payable & Accrued expenses	3,423,677	3,210,665	3,592,068
Accrued Interest	139,241	143,922	113,802
Short-term debt	300,000	411,410	9,750
Current portion of long-term debt	434,440	437,714	498,492
Taxes payable	39,504	144,474	51,154
Deferred Revenue	284,416	428,272	312,602
Provisions	23,906	26,070	67,813
Other accounts payable	1,846,816	2,013,642	2,490,291
Total current liabilities	6,492,001	6,816,169	7,135,971
Long-term debt			
Long-term debt	18,617,083	18,492,992	19,767,875
Derivative Financial Instruments	-	-	-
Employee Benefits	540,628	506,768	429,325
Other LT liabilities	986,429	986,307	2,737
Total long-term debt	20,144,140	19,986,067	20,199,938
TOTAL LIABILITIES	26,636,141	26,802,237	27,335,909
STOCKHOLDERS EQUITY			
Capital stock	464,371	365,512	10,362,334
Additional paid-in capital	522,907	-	644,710
Reserve for repurchase of shares	-	-	-
Cumulative earnings (losses)	2,653,190	3,648,459	(6,268,498)
TOTAL STOCKHOLDERS EQUITY	3,640,468	4,013,972	4,738,547
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	30,276,609	30,816,208	32,074,455

Axtel, S.A.B. de C.V. and Subsidiaries
Unaudited Consolidated Income Statement
Periods ended September 30, 2017 and 2016
(in Thousand Mexican pesos)

	Third Quarter ended Sept. 30		Δ%	LTM ended Sept. 30		Δ%
	2017	2016		2017	2016	
Total Revenues	3,764,081	3,836,227	-2%	15,009,997	12,985,943	16%
Operating cost and expenses						
Cost of sales and services	(904,076)	(868,668)	4%	(3,479,424)	(2,760,464)	26%
Selling and administrative expenses	(1,637,342)	(1,643,559)	0%	(6,702,211)	(6,140,429)	9%
Other income (expenses), net	94,723	(59,414)	n.a.	83,177	(905,878)	n.a.
Asset impairment	(7,725)	54,621	n.a.	(114,536)	51,553	n.a.
Depreciation and amortization Cost	(858,880)	(829,668)	4%	(3,436,906)	(2,956,067)	16%
Depreciation and amortization Expenses	(145,803)	(150,132)	-3%	(657,544)	(445,298)	
	<u>(3,459,104)</u>	<u>(3,496,819)</u>	<u>-1%</u>	<u>(14,307,444)</u>	<u>(13,156,583)</u>	<u>9%</u>
Operating income (loss)	<u>304,977</u>	<u>339,408</u>	<u>-10%</u>	<u>702,553</u>	<u>(170,640)</u>	<u>n.a.</u>
Comprehensive financing result:						
Interest expense	(399,561)	(275,222)	45%	(1,441,521)	(1,866,614)	-23%
Interest income	17,350	7,105	>100%	45,298	23,926	89%
Foreign exchange gain (loss), net	(238,407)	(482,535)	-51%	957,395	(1,993,213)	n.a.
Change in the fair value of financial instruments	6,232	(78,662)	n.a.	(69,450)	(127,893)	-46%
Comprehensive financing result, net	<u>(614,386)</u>	<u>(829,314)</u>	<u>-26%</u>	<u>(508,277)</u>	<u>(3,963,794)</u>	<u>-87%</u>
Equity in results of associated company	<u>(0)</u>	<u>(4,924)</u>	<u>-100%</u>	<u>(265)</u>	<u>(4,929)</u>	<u>-95%</u>
Income (loss) before income taxes,	<u>(309,409)</u>	<u>(494,829)</u>	<u>-37%</u>	<u>194,011</u>	<u>(4,139,363)</u>	<u>n.a.</u>
Income taxes:						
Current	95,472	(15,677)	n.a.	(89,569)	(72,326)	24%
Deferred	(418,400)	59,663	n.a.	(174,061)	1,063,570	n.a.
Total income taxes	<u>(322,928)</u>	<u>43,986</u>	<u>n.a.</u>	<u>(263,630)</u>	<u>991,244</u>	<u>n.a.</u>
Net Income (Loss)	<u>(632,337)</u>	<u>(450,843)</u>	<u>40%</u>	<u>(69,619)</u>	<u>(3,148,119)</u>	<u>-98%</u>