

3rd Quarter 2018



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San Pedro Garza Garcia, Mexico, October 15, 2018 - 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, 2018⁽¹⁾. Axtel is a subsidiary of Alfa S.A.B. de C.V. (“ALFA”).

Million Pesos	Q3	Q2	Q3	(% 3Q18 vs.		LTM'18	LTM'17	LTM
	2018	2018	2017	2Q18	3Q17			
Revenues	3,829	3,848	3,764	-1%	2%	15,717	15,010	5%
EBITDA ⁽⁵⁾	1,311	1,416	1,317	-7%	0%	5,555	4,912	13%
EBITDA Margin	34.2%	36.8%	35.0%	- 254 bps	- 75 bps	35.3%	32.7%	+ 263 bps
Net (loss) Income	-542	-566	-632	4%	14%	-1,070	-70	>100%
Capital Expenditures	709	481	604	48%	17%	1,727	2,649	-35%
Net Debt	19,323	19,753	18,723	-2%	3%			
Net Debt / EBITDA ⁽⁶⁾	3.5x	3.3x	4.0x					

Highlights:

- ❖ During the third quarter, Axtel’s performance continued its positive trend, in line with expectations and strategically aligned to expand its presence in the B2B segment in Mexico. This diligent execution was reflected in the Company’s third-quarter Enterprise and Government segment recurrent revenues, which increased 8% and contributed to an EBITDA growth of 14%, excluding the contribution from the sale of towers recorded in the third-quarter of 2017.
- ❖ In August, Axtel successfully refinanced a US\$172 million dollar-denominated loan into pesos at competitive conditions and a ten-year tenor. As of the end of the quarter, 51% of the Company’s debt was denominated in pesos. Axtel will continue to maintain a balance between risk mitigation and its respective impact on cash flow.
- ❖ To expand its portfolio of cloud-based IT solutions, in August, Axtel announced a partnership with Microsoft to offer Azure Stack solutions in Mexico. This partnership, the first of its kind in Mexico, allows Axtel to offer customers hybrid, private and public cloud services, by providing access to Microsoft Azure cloud services out of the Company’s green Data Center in Queretaro.

Media Relations:

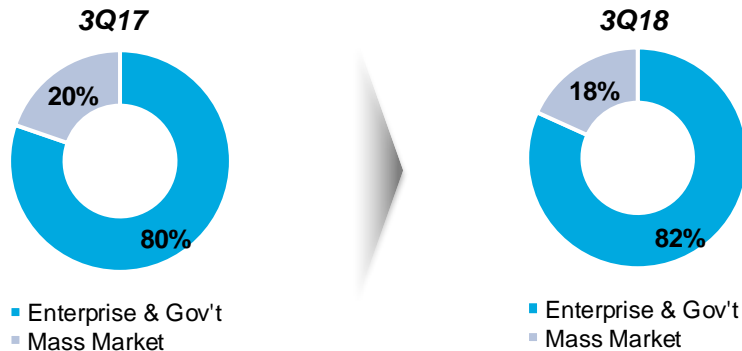
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Revenues

Million Pesos	Q3 2018	Q2 2018	Q3 2017	(% 3Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q2 2018	Q3 2017			
ENTERPRISE	2,539	2,505	2,482	1%	2%	10,168	9,784	4%
GOVERNMENT	592	641	540	-8%	10%	2,702	2,188	23%
MASS MARKET	698	703	742	-1%	-6%	2,847	3,038	-6%
TOTAL	3,829	3,848	3,764	-1%	2%	15,717	15,010	5%



FTTx proportion within the revenue mix increased from 15% to 16%; wireless declined from 5% to 2%; Enterprise remained flat at 66% and Government increased from 14% to 15%.

Total revenues for the third quarter 2018 reached Ps. 3,829 million, compared to Ps. 3,764 million in the same period in 2017, a 2% increase, mainly due to 2% and 10% increases in the Enterprise and Government segments respectively, which compensated the 6% decline in the mass market segment.

Enterprise

Million Pesos	Q3 2018	Q2 2018	Q3 2017	(% 3Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q2 2018	Q3 2017			
TELECOM	2,217	2,194	2,207	1%	0%	8,896	8,770	1%
Voice	475	532	563	-11%	-16%	2,079	2,413	-14%
Data and Internet	887	859	887	3%	0%	3,535	3,383	5%
Managed Networks	856	802	757	7%	13%	3,282	2,974	10%
IT	322	311	275	3%	17%	1,272	1,014	25%
TOTAL ENTERPRISE	2,539	2,505	2,482	1%	2%	10,168	9,784	4%

Quarterly revenues totaled Ps. 2,539 million, compared to Ps. 2,482 million in the same period in 2017, a 2% increase, due to an improvement in IT and Managed Network revenues.

Telecom revenues in the third quarter 2018 stood flat compared to the third quarter in the previous year, mainly due to an increase of 13% in *Managed Networks*, that compensated a decrease of 16% in *Voice* revenues; the latter due to declines in fix-to-mobile and long distance revenues.

IT revenues increased 17% year-over-year, mainly due to a 20% increase in *hosting*, a 49% incline in *cloud services* and 33% increase from *security services*. Managed Applications revenues declined Ps. 4 million, or 17%, year-over-year.

Government

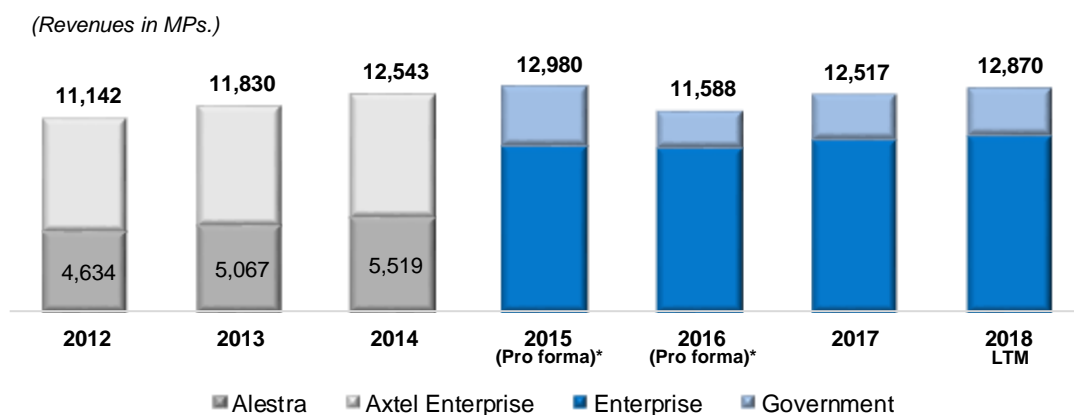
Million Pesos	Q3 2018	Q2 2018	Q3 2017	(% 3Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q2 2018	Q3 2017			
TELECOM	390	416	352	-6%	11%	1,741	1,259	38%
Voice	37	39	36	-5%	3%	153	162	-5%
Data and Internet	105	92	100	15%	5%	362	371	-2%
Managed Networks	248	286	217	-13%	14%	1,226	726	69%
IT	202	225	187	-10%	8%	961	930	3%
TOTAL GOVERNMENT	592	641	540	-8%	10%	2,702	2,188	23%

Government segment revenues amounted to Ps. 592 million in the third quarter of 2018, compared to Ps. 540 million in the same period in 2017, a 10% increase mainly due to a rise in both Telecom and IT revenues. Recurrent revenues, which represented 94% of total Government revenues in the quarter, increased 14% compared to the same period in 2017.

Telecom revenues increased 11%. *Voice* revenues increased 3% and *Data and internet* revenues increased 5% due to a rise of 28% in Internet services that compensated a decline in Data revenues. *Managed networks* increased 14% due to a positive performance in VPN solutions, Ethernet and Collaboration revenues.

IT revenues increased 8% due to a strong increase in *Managed Applications* revenues.

Enterprise and Government Segment Evolution



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

Mass Market ⁽²⁾

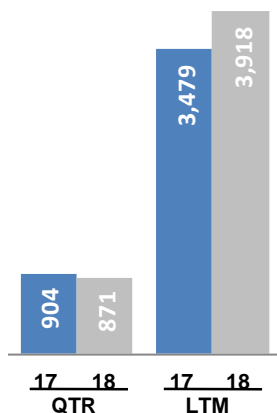
Million Pesos	Q3 2018	Q2 2018	Q3 2017	(% 3Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q2 2018	Q3 2017			
FTTx	609	596	566	2%	8%	2,365	2,189	8%
Legacy Technologies	89	107	176	-17%	-49%	482	849	-43%
TOTAL MASS MARKET	698	703	742	-1%	-6%	2,847	3,038	-6%

Quarterly revenues declined 6%:

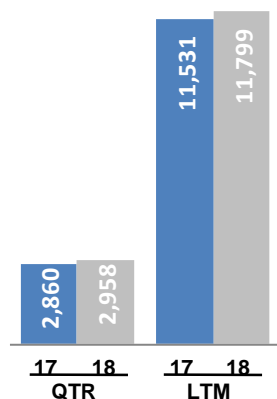
FTTx revenues totaled Ps. 609 million in the third quarter of 2018, compared to Ps. 566 million for same period in 2017. While customers increased 13% year-over-year, *FTTx* revenues increased only 8% due to a decline in video penetration within the customer base from 48% in the third quarter 2017 to 43% this quarter, resulting in a 4% decline in Video revenues. Voice revenues decreased 4% resulting from a 3% decrease in monthly rent revenues. Internet revenues increased 27%.

Legacy wireless technologies revenues amounted to Ps. 89 million in the third quarter of 2018, a 49% decrease compared to the same period in 2017, explained by a 54% decline in customers.

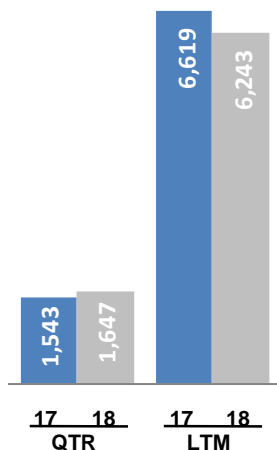
Cost of Revenues (in MPs.)



Gross Profit (in MPs.)



Expenses (in MPs.)



Cost of revenues and Operating and Other expenses

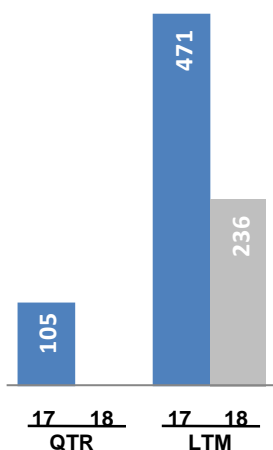
Cost of revenues⁽³⁾. For the three month period ended September 30, 2018, the cost of revenues represented Ps. 871 million, a 4% or Ps. 33 million decrease compared to the same period of year 2017, due to 9% and 3% declines in mass-market and enterprise and government costs, respectively. Cost reductions in the mass-market segment are explained by the lower video penetration and for the enterprise and government segment, a better cost structure for Telecom services compensated higher IT-related 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 an increase of Ps. 191 million in LTM3Q18 vs LTM3Q17.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the third quarter of 2018, the gross profit accounted for Ps. 2,958 million, representing a 3% increase compared to the same period in year 2017, mainly due to increases in Managed Networks and IT revenues and margins, mitigated by declines in mass market revenues. Gross profit margin increased from 76% to 77% year-over-year, explained by a increases in the Mass Market and Enterprise margins which offset lower Government segment margins.

Operating and other expenses⁽⁴⁾. In the third quarter of 2018, total expenses reached Ps. 1,647 million, 7% higher than the expenses recorded in the same period in 2017, mainly due to the positive effect of the tower sale of Ps. 170 million in 3Q17. Operating expenses in the third quarter increased only 1%, despite the effects from a 6.1% peso depreciation and 5.0% inflation that affect dollar and inflation – indexed expenses. Dollar or inflation -indexed items including personnel, maintenance and tower rent expenses, increased 4%, 13% and 11% year-over-year, respectively.

Merger Expenses

(in MPs.)



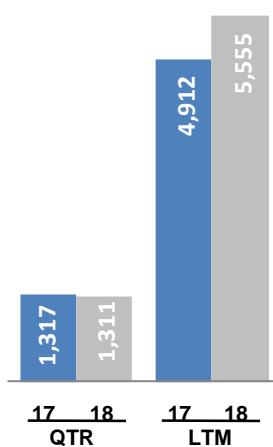
Merger expenses, EBITDA, Operating income (loss)

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 third quarter 2017, merger expenses totaled Ps. 105 million. For the twelve month period ending in September 30, 2018, merger expenses totaled Ps. 236 million, the most relevant being severance payments.

EBITDA

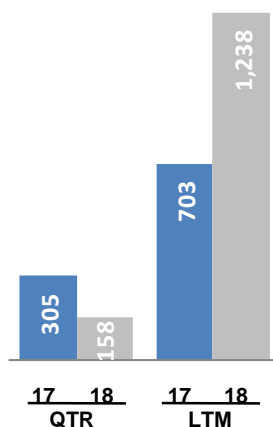
(in MPs.)



EBITDA⁽⁵⁾. For the third quarter of 2018, EBITDA decreased slightly year-over-year to Ps. 1,311 million compared to Ps. 1,317 in 2017. However, 2017's figure includes Ps. 170 million of other income related to the sale of towers to American Tower Corporation. Without this effect, EBITDA increased Ps. 164 million or 14% higher than the third quarter 2017, and 12% from LTM3Q17 to LTM 3Q18.

Operating income (loss)

(in MPs.)



Operating income (loss). In the third quarter of 2018, operating income totaled Ps. 158 million, Ps. 147 million lower than the same quarter of last year, due to a lower level of other income in third quarter 2018, Ps. 13 million compared to Ps. 94 million in third quarter 2017, and to a 13% increase in depreciation and amortization expenses. In the third-quarter of 2017, a Ps. 170 million benefit from tower sale income contributed to the operating result. Last twelve months operating income recorded a strong increase due to Ps. 580 million of other income related to the tower sales and an increase in EBITDA.

Comprehensive Financing Result

Million Pesos	Q3 2018	Q2 2018	Q3 2017	(% 3Q18 vs.)		LTM'18	LTM'17	LTM Δ%
				Q2 2018	Q3 2017			
Net interest expense	(463)	(461)	(382)	0%	21%	(1,842)	(1,396)	-32%
FX gain (loss), net	(12)	(264)	(238)	-95%	-95%	(551)	957	n.a.
Ch. in FV of fin. Instruments	(10)	(6)	6	77%	n.a.	53	(69)	n.a.
Total	(485)	(731)	(614)	-34%	-21%	(2,340)	(508)	>100%

The comprehensive financing cost reached Ps. 485 million in the third quarter of 2018, compared to a cost of Ps. 614 million in the same period of 2017. This decrease in cost is explained mostly by a decline in FX loss during the third quarter of 2018 resulting from FX appreciation during July, which compensated the FX depreciation of August and September, compared to a higher FX loss related to a 2% depreciation of the Mexican peso in the third quarter of 2017. Interest expense increased 18% 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	Q3 2018	Q2 2018	Q3 2017
Senior Notes 2024	9,406	9,932	-
Bank Facilities	6,220	6,000	15,659
Other loans	3,813	4,228	3,405
Other financing obligations	412	427	403
Accrued interests	294	145	139
Total Debt	20,145	20,732	19,605
(-) Cash and cash equivalents	(822)	(979)	(882)
Net Debt	19,323	19,753	18,723

Total Debt. At the end of the third quarter 2018, total debt increased Ps. 540 million, composed of Ps. 222 million, or US\$12 million, of incremental debt and Ps. 318 million due to the 3% depreciation of the Mexican peso, year-over-year.

Total debt movement of Ps. 540 million in comparison with the end of the third quarter 2017, is explained by (i) a Ps. 9,099 million increase related to the 2024 Senior Note; (ii) a Ps. 9,439 million decrease in Bank Facilities due to the prepayment of the old Syndicated Facility (iii) a Ps. 462 million increase from other loans and financial leases; (vi) a Ps. 56 million decrease in the long-term Bancomext Facility; (v) a Ps. 155 million increase in accrued interests and (vi) a Ps. 319 million non-cash increase caused by the 3% depreciation of the Mexican peso, year-over-year.

Cash. As of the end of the third quarter of 2018, the cash balance totaled Ps. 822 million, compared to Ps. 882 million a year ago, and Ps. 979 million at the beginning of the quarter. The cash balance at the end of the quarter includes Ps. 170 million restricted cash.

Capital Expenditures

In the third quarter of 2018, capital investments totaled Ps. 709 million, or US\$37 million, compared to Ps. 604 million, or US\$34 million in the third quarter 2017, including the Ps. 144 million tower sale benefit. Additionally, in the third quarter 2018, Axtel invested Ps.140 million through financial leases, compared to Ps. 10 million in the year-earlier quarter.

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, 2018 and 2017, and June 30, 2018; and twelve month period ending on September 30, 2018 and 2017, and
 - Balance sheet information as of September 30, 2018 and 2017; and June 30, 2018.

- 2) Mass market operating data:

<i>In thousands</i>	Q3 2018	Q2 2018	Q3 2017
FTTX			
Customers	286	277	253
RGUs	769	750	693
<i>Lines in service</i>	357	348	317
<i>Broadband subscribers</i>	289	280	255
<i>Video subscribers</i>	123	122	121
LEGACY TECHNOLOGIES			
Customers	63	77	135
RGUs	123	150	263
<i>Lines in service</i>	72	87	150
<i>Broadband subscribers</i>	51	63	113

* 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 3Q18 of ~US\$22 million at an average exchange rate of 19.4 MXN/USD. Additionally, 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%. During the quarter, one forward contract expired and two others were "unwinded" before stated expiration, which resulted in a net benefit of Ps. 71 million on a combined basis, compared to the applicable spot MXN/USD exchange rates.

Forwards:

Expiration Date	Amount (Mdlls)	Avg. FX rate
Nov'18	22.1	19.39

Interest Rate Swaps:

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)

	Sep-18	Jun-18	Sep-17	(%) Sep-18 vs. Sep-17
ASSETS				
CURRENT ASSETS				
Cash and equivalents	651,777	811,446	721,797	(10)
Restricted cash	-	-	-	n.a.
Accounts receivable	3,024,035	2,953,795	3,204,734	(6)
Allowance for doubtful accounts	(2,183,612)	(2,149,394)	(1,997,914)	9
Related parties	40,804	34,569	25,696	59
Refundable taxes and other accounts receivable	986,250	933,152	781,338	26
Advances to suppliers	652,597	652,200	547,883	19
Inventories	295,583	224,054	216,397	37
Financial Instruments	-	633,832	-	n.a.
Financial Instruments (Zero Strike Call)	162,105	172,535	187,746	(14)
Total current assets	5,813,149	6,415,584	5,685,590	2
NON CURRENT ASSETS				
Restricted cash	170,644	167,700	159,908	7
Property, plant and equipment, net	18,276,700	18,596,113	19,258,561	(5)
Long-term accounts receivable	8,716	17,432	-	n.a.
Intangible assets, net	1,413,064	1,393,135	1,531,669	(8)
Deferred income taxes	3,566,299	3,815,654	3,395,906	5
Investment in shares of associated co. & other	157,295	157,295	22,260	>100
Other assets	400,316	375,524	222,715	80
Total non current assets	23,993,033	24,522,853	24,591,019	(2)
TOTAL ASSETS	29,806,182	30,938,437	30,276,609	(2)
LIABILITIES & STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Account payable & Accrued expenses	3,482,360	3,540,108	3,423,677	2
Accrued Interest	294,305	145,182	139,241	>100
Short-term debt	-	206,702	300,000	n.a.
Current portion of long-term debt	488,394	717,063	434,440	12
Taxes payable	38,812	37,722	39,504	(2)
Financial Instruments	25,627	54,094	-	n.a.
Deferred Revenue	279,386	486,647	284,416	(2)
Provisions	21,440	27,825	23,906	(10)
Other accounts payable	3,044,866	2,940,244	1,846,816	65
Total current liabilities	7,675,191	8,155,589	6,492,001	18
LONG-TERM LIABILITIES				
Long-term debt	19,139,025	19,442,872	18,617,083	3
Derivative Financial Instruments	41,034	-	-	n.a.
Employee Benefits	646,049	612,392	540,628	19
Deferred revenue	-	-	-	n.a.
Long-term provisions	-	-	-	n.a.
Other LT liabilities	3,279	2,788	986,429	(100)
Total long-term debt	19,829,387	20,058,052	20,144,140	(2)
TOTAL LIABILITIES	27,504,577	28,213,641	26,636,141	3
STOCKHOLDERS EQUITY				
Capital stock	464,371	464,371	464,371	0
Additional paid-in capital	159,551	159,551	522,907	(69)
Reserve for repurchase of shares	-	-	-	n.a.
Cumulative earnings (losses)	1,677,683	2,100,875	2,653,190	(37)
Other	-	-	-	n.a.
TOTAL STOCKHOLDERS' EQUITY	2,301,605	2,724,796	3,640,468	(37)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	29,806,182	30,938,437	30,276,609	(2)

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

	3Q18	2Q18	3Q17	(% 3Q18 vs.)		LTM'18	LTM'17	Δ%
				2Q18	3Q17			
Total Revenues	3,828,986	3,848,377	3,764,081	(1)	2	15,716,644	15,009,997	5
Operating cost and expenses								
Cost of sales and services	(871,123)	(953,710)	(904,076)	(9)	(4)	(3,917,996)	(3,479,424)	13
Selling, administrative and other expenses	(1,659,859)	(1,574,645)	(1,637,342)	5	1	(6,649,726)	(6,702,211)	(1)
Other income (expenses), net	13,299	95,488	94,723	(86)	(86)	406,565	83,177	>100%
Asset impairment	(16,335)	(37,752)	(7,725)	(57)	>100	(64,248)	(114,536)	(44)
Depreciation and amortization Cost	(961,289)	(917,202)	(858,880)	5	12	(3,611,729)	(3,436,906)	5
Depreciation and amortization Expenses	(175,448)	(162,467)	(145,803)	8	20	(641,415)	(657,544)	(2)
	<u>(3,670,755)</u>	<u>(3,550,288)</u>	<u>(3,459,104)</u>	<u>3</u>	<u>6</u>	<u>(14,478,549)</u>	<u>(14,307,444)</u>	<u>1</u>
Operating income (loss)	<u>158,231</u>	<u>298,090</u>	<u>304,977</u>	<u>(47)</u>	<u>(48)</u>	<u>1,238,095</u>	<u>702,553</u>	<u>76</u>
Comprehensive financing result:								
Interest expense	(472,961)	(471,103)	(399,561)	0	18	(1,895,185)	(1,441,521)	31
Interest income	9,948	9,783	17,350	2	(43)	52,753	45,298	16
Foreign exchange gain (loss), net	(12,218)	(264,497)	(238,407)	(95)	(95)	(550,771)	957,395	n.a.
Change in fair value of fin. instruments	(10,003)	(5,642)	6,232	77	n.a.	53,478	(69,450)	n.a.
Comprehensive financing result, net	<u>(485,235)</u>	<u>(731,459)</u>	<u>(614,386)</u>	<u>(34)</u>	<u>(21)</u>	<u>(2,339,725)</u>	<u>(508,277)</u>	<u>>100%</u>
Equity in results of associated company	<u>0</u>	<u>0</u>	<u>(0)</u>	<u>82</u>	<u>n.a.</u>	<u>0</u>	<u>(265)</u>	<u>n.a.</u>
Income (loss) before income taxes,	<u>(327,003)</u>	<u>(433,369)</u>	<u>(309,409)</u>	<u>(25)</u>	<u>6</u>	<u>(1,101,630)</u>	<u>194,011</u>	<u>n.a.</u>
Income taxes:								
Current	(15,869)	(38,969)	95,472	(59)	n.a.	(117,005)	(89,569)	31
Deferred	(198,631)	(93,266)	(418,400)	>100	(53)	148,476	(174,061)	n.a.
Total income taxes	<u>(214,501)</u>	<u>(132,235)</u>	<u>(322,928)</u>	<u>62</u>	<u>(34)</u>	<u>31,471</u>	<u>(263,630)</u>	<u>n.a.</u>
Net Income (Loss)	<u>(541,504)</u>	<u>(565,605)</u>	<u>(632,337)</u>	<u>(4)</u>	<u>(14)</u>	<u>(1,070,160)</u>	<u>(69,619)</u>	<u>>100%</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 53.2% 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: axtelcorp.mx

Enterprise and Government services website: alestra.mx

Mass Market services website: axtel.mx