

San Pedro Garza Garcia, Mexico, February 24, 2011 - Axtel, S.A.B. de C.V. ("AXTEL" or "the Company"), a leading Mexican fixed-line integrated telecommunications company, announced today its unaudited fourth quarter results ended December 31, 2010<sup>(1)</sup>.

Million Pesos	Q4	Q4	4Q10/4Q09	Q3	LTM	
	2010	2009	Δ%	2010	Dec-10	Dec-09 <sup>(1)</sup>
Revenues <sup>(2)</sup>	2,723	2,697	1%	2,700	10,652	10,969
Costs <sup>(3)</sup>	772	726	6%	741	2,955	2,987
Operating Expenses <sup>(4)</sup>	1,157	1,062	9%	1,124	4,469	4,143
Adjusted EBITDA <sup>(5)</sup>	794	908	-13%	834	3,228	3,839
Adj. EBITDA Margin	29.2%	33.7%	-456 bps	30.9%	30.3%	35.0%
Net (loss) Income	-93	97	n.a.	-19	-286	176
Earnings per CPO <sup>(6)</sup>	-0.07	0.08	n.a.	-0.01	-0.23	0.14
Capital Expenditures	833	830	0%	1,000	3,361	2,674
Net Debt / Adj EBITDA <sup>(7)</sup>					2.9x	2.1x

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## Highlights:

- ❖ RGUs increased 66 thousand in the fourth quarter, totaling 234 thousand for 2010. In the fourth quarter, AXTEL acquired 48 thousand new broadband subscribers, which contributed to increase 95% the number of total broadband subs for year 2010.
- ❖ Revenues in the fourth quarter 2010 increased 1%; core business units, mass-market and enterprise segments, combined, increased 5% compared to fourth quarter 2009. The Company expects these business units to continue delivering positive results going forward supported by reliable mass-market data technologies, WiMAX and FTTH, and by combining network-based services with more value-added solutions for enterprise customers.
- ❖ In February 2011, AXTEL received Cisco's Managed Services Channel Partner (MSCP) recognition, the only carrier to receive this acknowledgment in Mexico. Furthermore, Cisco has extended AXTEL's "Cisco Gold Partner" certification standing since 2005.



## Sources of Revenues

Million Pesos	4Q/4Q09			LTM		LTM
	Q4 2010	Q4 2009	Δ%	Q3 2010	Dec-10	Dec-09
Local	982	977	1%	969	3,886	3,905
Long Distance	294	274	7%	294	1,133	1,168
Data & Network	665	590	13%	612	2,496	2,442
Int'l. Traffic	298	346	-14%	315	1,175	1,324
Other	325	354	-8%	358	1,323	1,331
Largest Wholesale Cust	160	156	3%	150	638	800
	<b>2,723</b>	<b>2,697</b>	<b>1%</b>	<b>2,700</b>	<b>10,652</b>	<b>10,969</b>

**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. 982 million in the fourth quarter of 2010, compared to Ps. 977 million for same period in 2009, representing an increase of Ps. 5 million, or 1%. This is explained by Ps. 6 and Ps. 5 million decreases in monthly rents and value-added services and measured services, respectively, compensated by a Ps. 16 million increase in cellular revenues, reflecting further penetration of our competitive offers including local calls free of charge, as well as a change in the mix of traffic between residential and business customers. The decline in monthly rents and measured service is more than compensated by an Ps. 48 million increase in mass-market internet revenues embedded in the commercial offers. Revenues coming from monthly rents and value-added services represented 69% of local revenues during the three-month period ended December 31, 2010. For the twelve month period ended December 31, 2010, local revenues totaled Ps. 3,886 million, compared to Ps. 3,905 million registered in the same period in 2009, a marginal Ps. 19 million reduction.

**Long distance services.** Revenues totaled Ps. 294 million in the fourth quarter of 2010, compared to Ps. 274 million for same period in 2009, representing an increase of Ps. 20 million, or 7%. This is explained by more traffic from selected business customers during the fourth quarter of 2010. Billed-traffic volume increased 13% while billed-traffic revenues per minute declined 5% year-over-year. For the full-year 2010, long distance revenues totaled Ps. 1,133 million compared to Ps. 1,168 million registered in 2009, a Ps. 35 million, or 3%, reduction.

**Data & Network.** Data and network revenues amounted to Ps. 665 million in the last quarter of 2010, compared to Ps. 590 million in the same period in 2009, an increase of Ps. 74 million, or 81%. Mass-market, or, "on-demand" internet services revenues increased Ps. 48 million year-over-year while dedicated internet and VPN services to business customers increased Ps. 27 million, or 5%, during the same period. Dedicated Internet and VPNs represented 84% of data & network revenues during the quarter. During 2010, data and network services revenues totaled Ps. 2,496 million from Ps. 2,442 million registered in 2009, an increase of Ps. 54 million.

**International traffic.** In the fourth quarter of 2010, international traffic revenues totaled Ps. 298 million, a decrease of Ps. 48 million or 14% versus same quarter of previous year explained by a 2% decline in traffic and an 8% price decrease caused by a change in the on- vs. off-net traffic mix, lower off-net traffic prices and the Mexican peso appreciation. For the twelve month period ended December 31, 2010, revenues decreased 11% compared to the same period in 2009, also explained by a change in the mix of on- and off-net traffic, lower off-net traffic prices and the Mexican peso appreciation.

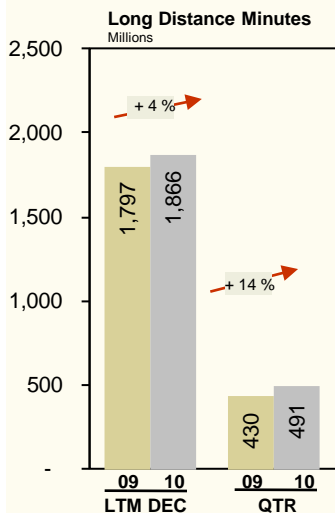
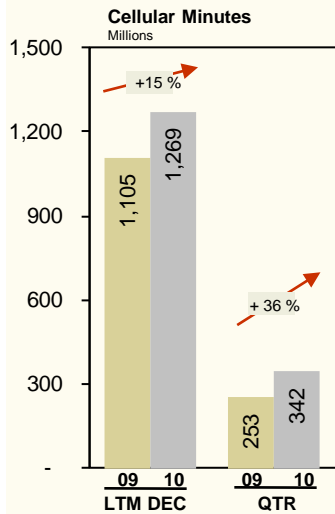
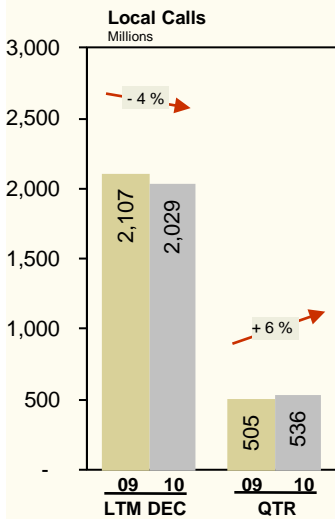
**Other services.** Quarterly revenue from other services declined Ps. 29 million, or 8%, mostly explained by a Ps. 39 million decrease in revenues from integrated services contracts partially compensated by an increase in revenues from equipment sales, among others. For the full-year 2010, other services revenues totaled Ps. 1,323 million from Ps. 1,331 million registered in 2009, a marginal decrease of Ps. 7 million.

## Consumption

**Local Calls.** Local calls excluding our largest wholesale customer totaled 497 million in the fourth quarter of 2010, compared to 429 million for same period in 2009, representing an increase of 68 million, or 16%. Billed local calls increased 3 million while local calls included in commercial offers increased 65 million. In the fourth quarter, the ratio of local calls per line increased 6% compared to the same period in 2009. For the twelve month period ended December 31, 2010, local calls totaled 1,859 million excluding our largest wholesale customer, compared to 1,709 million registered in the same period in 2009, an increase of 149 million calls, or 9%.

**Cellular (“Calling Party Pays”).** Minutes of use of calls completed to a cellular line excluding our largest wholesale customer amounted to 172 million in the three-month period ended December 31, 2010, compared to 147 million in the same period in 2009, an increase of 16% equivalent to 24 million minutes due to further penetration of commercial offers including cellular minutes for an additional monthly payment and by more competitive prices vis-à-vis competitors supported by lower termination tariffs. For the year 2010 and excluding our largest wholesale customer, cellular minutes increase 82 million, or 15%, from 566 million registered in the twelve-month period ended December 31, 2009, to 648 million in 2010.

**Long distance.** Excluding our largest wholesale customer, which represents 4% of total volume, outgoing long distance minutes amounted to 472 million for the three-month period ended December 31, 2010 from 417 million in the same period in 2009, a 13% or 54 million minute increase, resulting from increased traffic of existing business customers. Billed long distance minutes increased 43 million during the fourth quarter of 2010 compared to the same period in 2009. Domestic long distance minutes represented 96% of total traffic during the quarter. For the twelve month period ended December 31, 2010 and excluding our largest wholesale customer, outgoing long distance minutes amounted 1,809 million, compared to 1,753 million registered in 2009, an increase of 56 million of minutes, or 3%, explained by the existing business customers increased traffic and further penetration of mass-market offers including national and international long distance minutes within a monthly rent.



## Operating Data

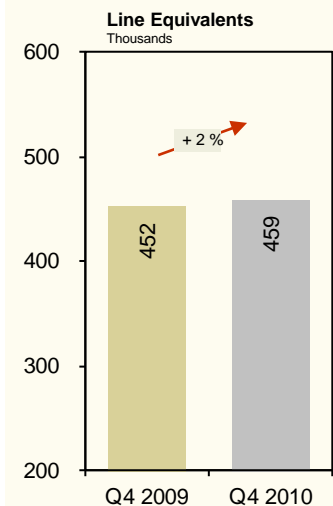
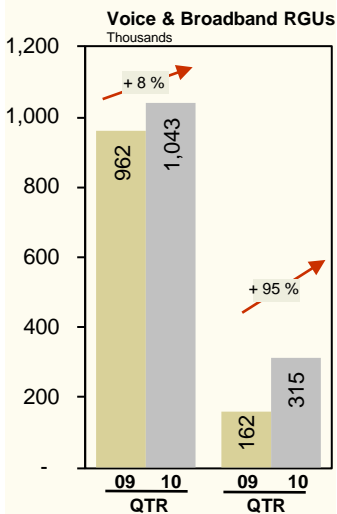
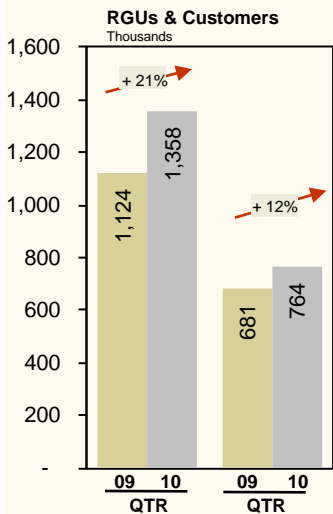
**RGUs and Customers.** As of December 31, 2010, RGUs (Revenue Generating Units) totaled 1,358 thousand, an increase of 21% or 234 thousand from the same date in 2009. During the fourth quarter of 2010, net additional RGUs totaled 66 thousand, compared to 36 thousand in the fourth quarter of 2009. As of December 31, 2010, total customers totaled 764 thousand, an increase of 12% or 83 thousand from the same date in 2009. Net customer additions totaled 20 thousand for the quarter. At the end of the fourth quarter 2010, WiMAX customers reached 369 thousand, compared to 177 thousand a year ago.

**Voice RGUs (lines in service).** As of December 31, 2010, lines in service totaled 1,043 thousand, an increase of 8% or 81 thousand from the same date in 2009. During the fourth quarter of 2010, gross additional lines totaled 83 thousand compared to 84 thousand in the fourth quarter of 2009. Disconnections in the fourth quarter of 2010 totaled 64 thousand, compared to 61 thousand in the year-earlier quarter. Net adds totaled 18 thousand for the fourth quarter of 2010, compared to 22 thousand net adds in the same period of 2009. As of December 31, 2010, residential lines represented 69% of total lines in service.

**Broadband RGUs (broadband subscribers).** Broadband subscribers almost doubled in number during 2010 totaling 315 thousand subs as of December 31, 2010. During the fourth quarter of 2010, broadband subscribers increased 48 thousand compared to 15 thousand in the same period of 2009. Continuation of positive response from customers to AXTEL's broadband products including "AXTEL X-tremo" (broadband connection using FTTH technology), our marketing campaign, competitive commercial offers and the reliability of our network contributed to record strong broadband additions in the fourth quarter. Broadband penetration reached 30% at the end of the fourth quarter of 2010, compared to 17% a year ago.

**Internet subscribers.** As of December 31, 2010, Internet subscribers totaled 327 thousand, including 12 thousand dial-up subscribers. As of December 31, 2009, Internet subscribers represented 174 thousand, including 13 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 December 31, 2010, line equivalents totaled 459 thousand, an increase of 7 thousand from 452 thousand registered on the same date in 2009.

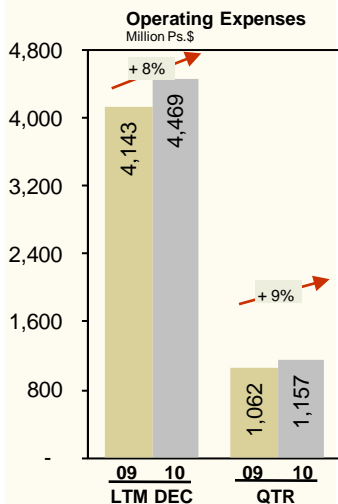
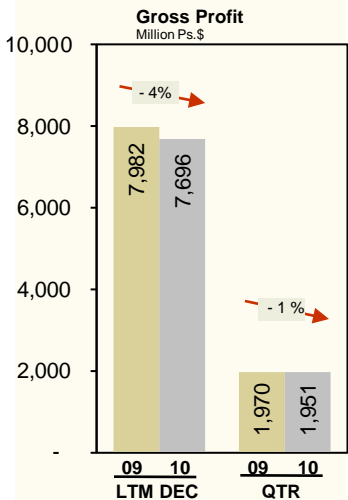
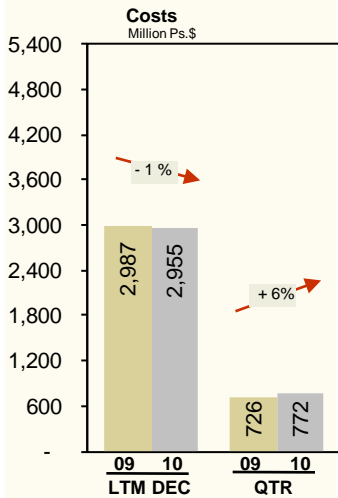


## Cost of Revenues and Operating Expenses

**Cost of Revenues.** For the three-month period ended December 31, 2010, the cost of revenues represented Ps. 772 million, an increase of Ps. 46 million, compared with the same period of year 2009, mostly due to increases in fixed-to-mobile termination —FTM traffic including our largest wholesale customer increased 36%— and customer premises' equipment costs compensated with lower leasing costs on transport and access links. For the twelve month period ended December 31, 2010, cost of revenues reached Ps. 2,955 million, a reduction of Ps. 32 million in comparison with year 2009, due primarily to a significant reduction in leased links costs.

**Gross Profit.** Gross profit is defined as revenues minus cost of revenues. For the fourth quarter of 2010, the gross profit accounted for Ps. 1,951 million, a decrease of Ps. 19 million compared with the same period in year 2009. The gross profit margin decrease from 73.1% to 71.6% year-over-year, mostly due to reduced revenues and margin from our largest wholesale customer and pressure on international traffic prices. For the twelve month period ended December 31, 2010, our gross profit totaled Ps. 7,696 million, compared to Ps. 7,982 million recorded in year 2009, a decrease of Ps. 285 million or -4%.

**Operating expenses.** In the fourth quarter of year 2010, operating expenses totaled Ps. 1,157 million compared to Ps. 1,062 million for the same period in year 2009. The main reasons for this increase are wages and salaries' adjustment granted in July 2010, a Ps. 14 million increase in marketing expenses and higher outsourcing expenses related to consultants, legal and other non-recurring items. For the twelve month period ended December 31, 2010, operating expenses totaled Ps. 4,469 million, coming from Ps. 4,143 million in the same period in 2009. Personnel represented 44% of total operating expenses in the twelve month period ended December 31, 2010.



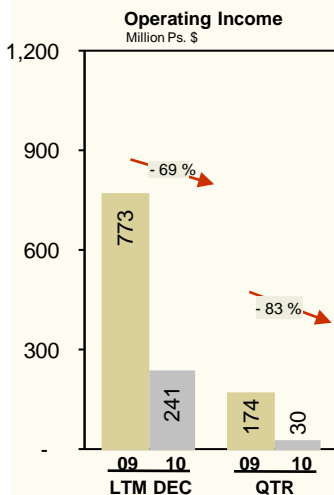
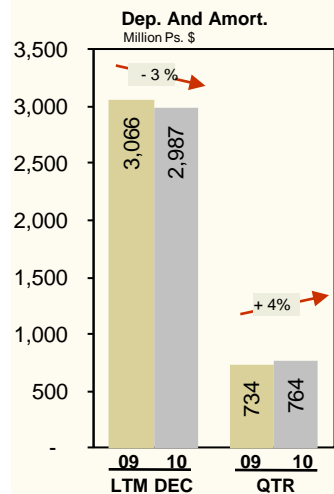
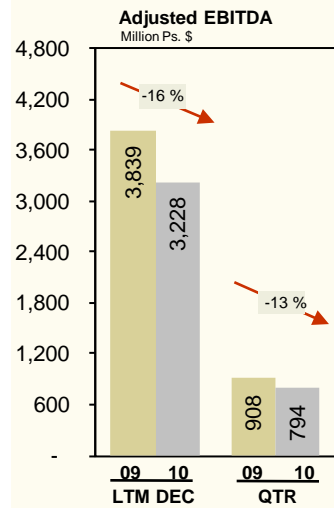


## Adjusted EBITDA, D&A and Operating Income

**Adjusted EBITDA<sup>(5)</sup>.** The Adjusted EBITDA totaled Ps. 794 million for the three-month period ended December 31, 2010, compared to Ps. 908 million for the same period in 2009. As a percentage of total revenues, Adjusted EBITDA represented 29.2% of revenues in the fourth quarter of 2010, 452 bps lower than the margin recorded in the year-earlier quarter. For the twelve-month period ended December 31, 2010, Adjusted EBITDA amounted to Ps. 3,228 million, compared to Ps. 3,839 million in year 2009.

**Depreciation and Amortization<sup>(10)</sup>.** Depreciation and amortization totaled Ps. 764 million in the three-month period ending on December 31, 2010 compared to Ps. 734 million for the same period in year 2009, a increase of Ps. 30 million or 4% reflecting 26% higher capital expenditures made in the twelve-month period ended December 31, 2010 compared to investments made in the same period in year 2009. Depreciation and amortization for the twelve-month period ended December 31, 2010 reached Ps. 2,987 million, from Ps. 3,066 million in the same period in year 2009, a decrease of Ps. 79 million, or -3%.

**Operating Income (loss).** In the three-month period ended December 31, 2010, the Company recorded an operating income of Ps. 30 million compared to an operating income of Ps. 174 million registered in the same period in year 2009. For the twelve month period ended December 31, 2010 our operating income reached Ps. 241 million when compared to the result registered in the same period of year 2009 of Ps. 773 million, a decline of Ps. 532 million.



## CFR, Indebtedness and Cash

### Comprehensive Financial Result

Million Pesos	4Q/4Q09			LTM		LTM
	Q4 2010	Q4 2009	Δ%	Q3 2010	Q4 2010	Q4 2009
Net interest expense	(227)	(224)	1%	(241)	(910)	(901)
FX gain (loss), net	103	266	-61%	119	437	280
Ch. in FV of fin. Instruments	(14)	31	n.a.	(13)	(99)	212
<b>Total</b>	<b>(138)</b>	<b>72</b>	<b>-292%</b>	<b>(135)</b>	<b>(571)</b>	<b>(409)</b>

**Comprehensive financial result.** Net interest expense for the fourth quarter 2010 marginally increased Ps. 3 million, or 1%, vis-à-vis fourth quarter 2009. The Ps. 103 million FX gain recorded in the fourth quarter 2010, compared to Ps. 266 million in fourth quarter 2009, is explained by 1 and 3% appreciation, respectively, of the peso against the U.S. dollar. Variations in the change in fair value of financial instruments are partially explained by a 5% decrease and 18% increase in the price of AXTELCPO in the fourth-quarter 2010 and 2009, respectively, affecting the valuation of the zero-strike-calls. The 40% larger comprehensive financial loss for year 2010, compared to 2009, is explained by the movement in the in the fair value of financial instruments, partially compensated by a larger appreciation of the Mexican peso against the U.S. dollar in 2010 (+5.4%) compared to year 2009 (+3.5%).

### Total Debt as of the end of each period

Million Pesos	Q4 2010	Q4 2009	Q3 2010
2012 Term Loan	-	1,372	-
2017 Senior Notes	3,398	3,591	3,438
2019 Senior Notes	6,055	3,918	6,126
Other financing obligations	363	540	419
Financial Leases	314	432	342
Committed Bank Facilities	280	-	-
Notes Premium	55	-	56
Change in Fair Value of Synd. Loan	-	40	-
<b>Total Debt</b>	<b>10,465</b>	<b>9,892</b>	<b>10,380</b>
(-) Mark-to-market Derivative Instruments	(75)	279	31
(-) Cash and cash equivalents	1,308	1,402	1,182
<b>Net Debt</b>	<b>9,232</b>	<b>8,211</b>	<b>9,167</b>

**Debt.** The increase in total debt as of December 31, 2010 compared to year-earlier date is explained by increases of (i) \$190 million in the 2019 Senior Notes and (ii) Ps. 280 million under our committed bank facilities, compensated by reductions of (i) \$25 and Ps. 1,042 million under the 2012 Term Loan, (ii) Ps. 112 and \$0.4 million net reductions in peso and US\$ financial leases, respectively, and (iii) \$12 million reduction in asset-related financial obligations. Additionally, a 5% appreciation of the Mexican peso against the US dollar contributed to reduce the peso value of existing dollar debt.

**Cash.** As of the end of the fourth quarter of 2010, our cash and equivalents balance totaled Ps. 1,308 million, compared to Ps. 1,402 million a year ago. Fifty two percent of the cash balance is maintained in dollars, the rest in pesos.

## Investments and Derivative Instruments

**Capital Investments.** In the fourth-quarter of 2010, capital investments totaled Ps. 833 million, compared to Ps. 830 million in the year-earlier quarter. Accumulated for the twelve-month period ended December 31, 2010, capital investments totaled Ps. 3,361 million, compared to Ps. 2,674 million in year 2009. Access represented close to 65% of this figure.

**Other Investments.** As of December 31, 2010, 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 September 30, 2010.

	AXTEL receives	AXTEL pays	Other
<b>Interest-Only Cross-Currency Swap (MXN/US\$)</b>			
Notional	US\$275 million	Ps. 3,039 million	
Interest	7.63% semi-annual	8.43% semi-annual	
Principal payments	n.a.	n.a.	
Dates			Feb. 2010 - Feb. 2012
Estimated Fair Value			12.4 million
<b>Interest-Only Cross-Currency Swap (MXN/US\$)</b>			
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. 6.7 million
<b>Interest-Only Cross-Currency Swap (MXN/US\$)</b>			
Notional	US\$490 million	Ps. 6,321 million	
Interest	9.0% semi-annual	9.60% semi-annual (avg.)	
Principal payments	n.a.	n.a.	
Expiration Date			Sept. 2014
Estimated Fair Value			Ps. (95.1) million
<b>Zero-strike Equity Call Option</b>			
Notional			30.4 million AXTELCPO
Value	30.4 million AXTELCPO times CPO's market price	Strike price: ¢1 per CPO	
Settlement			In cash
Expiration Date			January 2011
Valuation			Ps. 216.1 million



### ***Other important information***

- 1) Figures in this release are presented 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 unusual or non-recurring items. For additional detail on the Adjusted EBITDA Reconciliation, go to AXTEL’s web site at [www.axtel.com.mx](http://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 December 31, 2010.
- 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.

## Other important information

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

### Sources of Revenues

Million Pesos	Q4 2010	Q4 2009	Q3 2010	LTM	
				Dec-10	Dec-09
Local	1,132	1,120	1,112	4,482	4,649
Long Distance	299	279	298	1,150	1,189
Data & Network	667	593	614	2,504	2,452
Int'l. Traffic	298	346	315	1,175	1,324
Other	328	359	361	1,341	1,355
	<b>2,723</b>	<b>2,697</b>	<b>2,700</b>	<b>10,652</b>	<b>10,969</b>

- 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](http://www.axtel.com.mx)

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

Unaudited Consolidated Balance Sheet

December 31, 2010 and 2009

(figures in Thousands of Mexican pesos)

<b>ASSETS</b>	<b>dic-10</b>	<b>dic-09</b>
<b>Current assets:</b>		
Cash and equivalents	1,308,264	1,402,240
Accounts receivable	2,240,534	1,851,688
Refundable taxes and other accounts receivable	401,682	197,946
Prepaid Expenses	55,032	33,833
Inventories	165,629	170,681
Financial Instruments	272,013	574,132
<b>Total current assets</b>	<b><u>4,443,154</u></b>	<b><u>4,230,520</u></b>
<b>Non current assets</b>		
Property, plant and equipment, net	15,698,182	15,210,619
Long-term accounts receivable	27,346	18,491
Telephone concession rights	515,331	582,782
Intangible Assets	24,804	34,307
Deferred income tax	1,156,277	1,089,409
Deferred IETU	138,402	61,098
Deferred employee's profit sharing	18,581	9,707
Investment in shares of associated company	44,341	16,295
Other assets	342,162	349,854
<b>Total non current assets</b>	<b><u>17,965,426</u></b>	<b><u>17,372,562</u></b>
<b>TOTAL ASSETS</b>	<b><u>22,408,580</u></b>	<b><u>21,603,082</u></b>
 <b>LIABILITIES</b>		
<b>Current liabilities</b>		
Account payable & Accrued expenses	2,668,135	2,052,204
Accrued Interest	261,692	215,538
Short-term debt	280,000	-
Current portion of long-term debt	375,996	944,553
Taxes payable	153,733	108,033
Financial Instruments	131,344	30,941
Deferred Revenue	667,665	559,542
Other accounts payable	198,629	371,503
<b>Total current liabilities</b>	<b><u>4,737,194</u></b>	<b><u>4,282,314</u></b>
<b>Long-term debt</b>		
Long-term debt	9,808,869	8,947,650
Severance, seniority premiums and other post-retirement benefits	75,788	70,630
Deferred revenue	33,900	87,117
Other long-term liabilities	18,535	14,438
<b>Total long-term debt</b>	<b><u>9,937,092</u></b>	<b><u>9,119,835</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>14,674,286</u></b>	<b><u>13,402,149</u></b>
<b>STOCKHOLDERS EQUITY</b>		
Capital stock	7,562,075	7,562,075
Additional paid-in capital	741,671	741,671
Reserve for repurchase of shares	162,334	162,334
Cumulative earnings (losses)	(559,955)	(273,926)
Change in the fair value of derivative instruments	(171,831)	8,779
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b><u>7,734,294</u></b>	<b><u>8,200,933</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b><u>22,408,580</u></b>	<b><u>21,603,082</u></b>

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

Unaudited Consolidated Income Statement  
 Periods ended December 31, 2010 and 2009  
 (figures in Thousands of Mexican pesos)

	Fourth Quarter ended December 31			LTM ended December 31		
	2010	2009	Δ%	2010	2009	Δ%
Total Revenues	Ps.\$ 2,723,363	2,696,611	1.0%	Ps.\$ 10,651,961	10,968,877	-2.9%
Operating cost and expenses						
Cost of sales and services	(772,089)	(726,120)	6.3%	(2,955,488)	(2,987,088)	-1.1%
Selling and administrative expenses	(1,157,022)	(1,062,133)	8.9%	(4,468,693)	(4,143,209)	7.9%
Depreciation and amortization	(764,055)	(733,926)	4.1%	(2,986,997)	(3,065,798)	-2.6%
Total Operating Costs and Expenses	(2,693,166)	(2,522,179)	6.8%	(10,411,178)	(10,196,095)	2.1%
Operating income (loss)	30,197	174,432	-82.7%	240,783	772,782	-68.8%
Comprehensive financing result:						
Interest expense	(233,230)	(228,440)	2.1%	(933,347)	(925,261)	0.9%
Interest income	5,741	4,223	35.9%	23,707	24,513	-3.3%
Net interest income (expense)	(227,489)	(224,217)	1.5%	(909,640)	(900,748)	1.0%
Foreign exchange gain (loss), net	103,003	265,587	-61.2%	437,450	279,814	56.3%
Change in the fair value of derivative instruments	(13,798)	30,587	N/A	(99,233)	212,262	N/A
Comprehensive financing result, net	(138,284)	71,957	N/A	(571,423)	(408,672)	39.8%
Employee's profit sharing	(3,886)	(4,176)	-6.9%	(6,051)	(11,152)	-45.7%
Deferred employees' profit sharing	7,031	(6,812)	N/A	8,875	1,892	369.1%
Other income (expenses), net	92,760	15,476	499.4%	38,467	10,404	269.7%
Other income (expenses), net	95,905	4,488	2036.9%	41,291	1,144	3509.4%
Income (loss) before income taxes, and equity in results of associated company	(12,182)	250,877	N/A	(289,349)	365,254	N/A
Income Tax	(3,183)	(4,024)	-20.9%	(6,660)	(16,588)	-59.9%
Deferred income tax	(104,519)	(132,806)	-21.3%	(10,536)	(119,431)	-91.2%
IETU	(11,565)	(18,185)	-36.4%	(56,794)	(74,454)	-23.7%
Deferred IETU	38,696	6,833	466.3%	77,304	29,052	166.1%
Total income tax and employees' profit sharing	(80,571)	(148,182)	-45.6%	3,314	(181,421)	N/A
Equity in results of an associate company	(4)	(6,172)	-99.9%	6	(7,433)	N/A
Net Income (Loss)	Ps.\$ (92,757)	96,523	N/A	Ps.\$ (286,029)	176,400	N/A