

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014

(Thousand Pesos)

CONSOLIDATED
Final Printing

REF	ACCOUNT / SUBACCOUNT	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
10000000	TOTAL ASSETS	22,142,619	20,985,098
11000000	TOTAL CURRENT ASSETS	6,229,818	5,804,383
11010000	CASH AND CASH EQUIVALENTS	2,491,867	2,697,835
11020000	SHORT-TERM INVESTMENTS	0	0
11020010	AVAILABLE-FOR-SALE INVESTMENTS	0	0
11020020	TRADING INVESTMENTS	0	0
11020030	HELD-TO-MATURITY INVESTMENTS	0	0
11030000	TRADE RECEIVABLES, NET	2,893,739	2,426,167
11030010	TRADE RECEIVABLES	5,642,138	5,008,936
11030020	ALLOWANCE FOR DOUBTFUL ACCOUNTS	-2,748,399	-2,582,769
11040000	OTHER RECEIVABLES, NET	339,072	378,522
11040010	OTHER RECEIVABLES	339,072	378,522
11040020	ALLOWANCE FOR DOUBTFUL ACCOUNTS	0	0
11050000	INVENTORIES	54,747	67,097
11051000	BIOLOGICAL CURRENT ASSETS	0	0
11060000	OTHER CURRENT ASSETS	450,393	234,762
11060010	PREPAYMENTS	106,627	112,763
11060020	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
11060030	ASSETS AVAILABLE FOR SALE	0	0
11060050	RIGHTS AND LICENSES	0	0
11060060	OTHER	343,766	121,999
12000000	TOTAL NON-CURRENT ASSETS	15,912,801	15,180,715
12010000	ACCOUNTS RECEIVABLE, NET	154,559	230,752
12020000	INVESTMENTS	8,217	8,217
12020010	INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	8,217	8,217
12020020	HELD-TO-MATURITY INVESTMENTS	0	0
12020030	AVAILABLE-FOR-SALE INVESTMENTS	0	0
12020040	OTHER INVESTMENTS	0	0
12030000	PROPERTY, PLANT AND EQUIPMENT, NET	13,357,364	12,961,543
12030010	LAND AND BUILDINGS	430,990	430,990
12030020	MACHINERY AND INDUSTRIAL EQUIPMENT	36,731,561	34,674,215
12030030	OTHER EQUIPMENT	4,843,205	4,768,786
12030040	ACCUMULATED DEPRECIATION	-29,816,563	-27,923,323
12030050	CONSTRUCTION IN PROGRESS	1,168,171	1,010,875
12040000	INVESTMENT PROPERTY	0	0
12050000	BIOLOGICAL NON- CURRENT ASSETS	0	0
12060000	INTANGIBLE ASSETS, NET	137,234	173,959
12060010	GOODWILL	0	0
12060020	TRADEMARKS	0	0
12060030	RIGHTS AND LICENSES	0	0
12060031	CONCESSIONS	113,781	144,025
12060040	OTHER INTANGIBLE ASSETS	23,453	29,934
12070000	DEFERRED TAX ASSETS	2,125,766	1,675,202
12080000	OTHER NON-CURRENT ASSETS	129,661	131,042
12080001	PREPAYMENTS	76,004	79,876
12080010	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
12080020	EMPLOYEE BENEFITS	0	0
12080021	AVAILABLE FOR SALE ASSETS	0	0
12080040	DEFERRED CHARGES	0	0
12080050	OTHER	53,657	51,166
20000000	TOTAL LIABILITIES	17,494,025	15,279,380
21000000	TOTAL CURRENT LIABILITIES	4,717,914	4,311,915
21010000	BANK LOANS	130,000	130,000
21020000	STOCK MARKET LOANS	0	0
21030000	OTHER LIABILITIES WITH COST	385,940	220,554
21040000	TRADE PAYABLES	2,780,314	2,347,302
21050000	TAXES PAYABLE	409,947	363,351
21050010	INCOME TAX PAYABLE	409,947	363,351
21050020	OTHER TAXES PAYABLE	0	0
21060000	OTHER CURRENT LIABILITIES	1,011,713	1,250,708

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014

(Thousand Pesos)

CONSOLIDATED
Final Printing

REF	ACCOUNT / SUBACCOUNT	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
21060010	INTEREST PAYABLE	284,235	458,822
21060020	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
21060030	DEFERRED REVENUE	596,667	695,868
21060050	EMPLOYEE BENEFITS	0	0
21060060	PROVISIONS	0	0
21060061	CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS	0	0
21060080	OTHER	130,811	96,018
22000000	TOTAL NON-CURRENT LIABILITIES	12,776,111	10,967,465
22010000	BANK LOANS	0	0
22020000	STOCK MARKET LOANS	11,838,472	10,263,419
22030000	OTHER LIABILITIES WITH COST	624,631	382,028
22040000	DEFERRED TAX LIABILITIES	0	0
22050000	OTHER NON-CURRENT LIABILITIES	313,008	322,018
22050010	DERIVATIVE FINANCIAL INSTRUMENTS	114,009	46,952
22050020	DEFERRED REVENUE	33,900	33,900
22050040	EMPLOYEE BENEFITS	26,834	25,127
22050050	PROVISIONS	0	0
22050051	NON-CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS	0	0
22050070	OTHER	138,265	216,039
30000000	TOTAL EQUITY	4,648,594	5,705,718
30010000	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	4,648,594	5,705,718
30030000	CAPITAL STOCK	6,799,820	6,728,342
30040000	SHARES REPURCHASED	0	0
30050000	PREMIUM ON ISSUANCE OF SHARES	644,710	644,710
30060000	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
30070000	OTHER CONTRIBUTED CAPITAL	0	0
30080000	RETAINED EARNINGS (ACCUMULATED LOSSES)	-2,792,145	-1,663,543
30080010	LEGAL RESERVE	0	0
30080020	OTHER RESERVES	90,000	90,000
30080030	RETAINED EARNINGS	-1,753,543	165,058
30080040	NET INCOME FOR THE PERIOD	-1,128,602	-1,918,601
30080050	OTHERS	0	0
30090000	ACCUMULATED OTHER COMPREHENSIVE INCOME (NET OF TAX)	-3,791	-3,791
30090010	GAIN ON REVALUATION OF PROPERTIES	0	0
30090020	ACTUARIAL GAINS (LOSSES) FROM LABOR OBLIGATIONS	-3,791	-3,791
30090030	FOREING CURRENCY TRANSLATION	0	0
30090040	CHANGES IN THE VALUATION OF FINANCIAL ASSETS AVAILABLE FOR SALE	0	0
30090050	CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	0	0
30090060	CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0
30090070	SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES	0	0
30090080	OTHER COMPREHENSIVE INCOME	0	0
30020000	NON-CONTROLLING INTERESTS	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENT OF FINANCIAL POSITION INFORMATIONAL DATA

AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014

(Thousand Pesos)

**CONSOLIDATED
Final Printing**

REF	CONCEPTS	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
91000010	SHORT-TERM FOREIGN CURRENCY LIABILITIES	1,582,631	1,504,639
91000020	LONG TERM FOREIGN CURRENCY LIABILITIES	12,302,947	10,699,874
91000030	CAPITAL STOCK (NOMINAL)	6,799,820	6,728,342
91000040	RESTATEMENT OF CAPITAL STOCK	0	0
91000050	PLAN ASSETS FOR PENSIONS AND SENIORITY PREMIUMS	0	0
91000060	NUMBER OF EXECUTIVES (*)	166	164
91000070	NUMBER OF EMPLOYEES (*)	5,652	5,564
91000080	NUMBER OF WORKERS (*)	1,074	1,172
91000090	OUTSTANDING SHARES (*)	9,275,573,973	9,067,959,874
91000100	REPURCHASED SHARES (*)	0	0
91000110	RESTRICTED CASH (1)	0	0
91000120	GUARANTEED DEBT OF ASSOCIATED COMPANIES	0	0

(1) THIS CONCEPT MUST BE FILLED WHEN THERE ARE GUARANTEES OR RESTRICTIONS THAT AFECC T CASH AND CASH EQUIVALENTS

(*) DATA IN UNITS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03**

YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED

FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER, 2015 AND 2014

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
40010000	REVENUE	7,318,511	2,360,414	8,214,470	2,570,306
40010010	SERVICES	7,318,511	2,360,414	8,214,470	2,570,306
40010020	SALE OF GOODS	0	0	0	0
40010030	INTERESTS	0	0	0	0
40010040	ROYALTIES	0	0	0	0
40010050	DIVIDENDS	0	0	0	0
40010060	LEASES	0	0	0	0
40010061	CONSTRUCTIONS	0	0	0	0
40010070	OTHER REVENUE	0	0	0	0
40020000	COST OF SALES	1,496,603	444,303	2,592,222	681,056
40021000	GROSS PROFIT	5,821,908	1,916,111	5,622,248	1,889,250
40030000	GENERAL EXPENSES	5,431,142	1,809,661	5,903,009	1,952,268
40040000	PROFIT (LOSS) BEFORE OTHER INCOME (EXPENSE), NET	390,766	106,450	-280,761	-63,018
40050000	OTHER INCOME (EXPENSE), NET	424,246	26,048	-65,437	-36,670
40060000	OPERATING PROFIT (LOSS) (*)	815,012	132,498	-346,198	-99,688
40070000	FINANCE INCOME	138,557	100,302	11,575	3,937
40070010	INTEREST INCOME	30,444	8,896	11,575	3,937
40070020	GAIN ON FOREIGN EXCHANGE, NET	0	0	0	0
40070030	GAIN ON DERIVATIVES, NET	0	0	0	0
40070040	GAIN ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	108,113	91,406	0	0
40070050	OTHER FINANCE INCOME	0	0	0	0
40080000	FINANCE COSTS	2,457,835	1,284,141	843,018	490,375
40080010	INTEREST EXPENSE	920,930	333,381	596,109	208,884
40080020	LOSS ON FOREIGN EXCHANGE, NET	1,536,905	950,760	238,888	273,781
40080030	LOSS ON DERIVATIVES, NET	0	0	0	0
40080050	LOSS ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	0	0	8,021	7,710
40080060	OTHER FINANCE COSTS	0	0	0	0
40090000	FINANCE INCOME (COSTS), NET	-2,319,278	-1,183,839	-831,443	-486,438
40100000	SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES	0	0	-3,263	0
40110000	PROFIT (LOSS) BEFORE INCOME TAX	-1,504,266	-1,051,341	-1,180,904	-586,126
40120000	INCOME TAX EXPENSE	-375,664	-283,223	-290,334	-142,047
40120010	CURRENT TAX	74,900	3,949	10,861	-190
40120020	DEFERRED TAX	-450,564	-287,172	-301,195	-141,857
40130000	PROFIT (LOSS) FROM CONTINUING OPERATIONS	-1,128,602	-768,118	-890,570	-444,079
40140000	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	0	0	0	0
40150000	NET PROFIT (LOSS)	-1,128,602	-768,118	-890,570	-444,079
40160000	PROFIT (LOSS), ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	0	0	0
40170000	PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT	-1,128,602	-768,118	-890,570	-444,079
40180000	BASIC EARNINGS (LOSS) PER SHARE	-12	-08	-0.10	-0.05
40190000	DILUTED EARNINGS (LOSS) PER SHARE	0	0	0.00	0.00

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03**

YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENTS OF COMPREHENSIVE INCOME OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)

CONSOLIDATED

FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER, 2015 AND 2014

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
40200000	NET PROFIT (LOSS)	-1,128,602	-768,118	-890,570	-444,079
	DISCLOSURES NOT BE RECLASSIFIED ON INCOME				
40210000	PROPERTY REVALUATION GAINS	0	0	0	0
40220000	ACTUARIAL EARNINGS (LOSS) FROM LABOR OBLIGATIONS	0	0	0	0
40220100	SHARE OF INCOME ON REVALUATION ON PROPERTIES OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
	DISCLOSURES MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME				
40230000	FOREING CURRENCY TRANSLATION	0	0	0	0
40240000	CHANGES IN THE VALUATION OF FINANCIAL ASSETS HELD-FOR-SALE	0	0	0	0
40250000	CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
40260000	CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0	0	0
40270000	SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
40280000	OTHER COMPREHENSIVE INCOME	0	0	0	0
40290000	TOTAL OTHER COMPREHENSIVE INCOME	0	0	0	0
40300000	TOTAL COMPREHENSIVE INCOME	-1,128,602	-768,118	-890,570	-444,079
40320000	COMPREHENSIVE INCOME, ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	0	0	0
40310000	COMPREHENSIVE INCOME, ATTRIBUTABLE TO OWNERS OF PARENT	-1,128,602	-768,118	-890,570	-444,079

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03**

YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENTS OF COMPREHENSIVE INCOME

INFORMATIONAL DATA

CONSOLIDATED

FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER, 2015 AND 2014

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
9200010	OPERATING DEPRECIATION AND AMORTIZATION	1,976,550	674,227	2,517,361	832,455

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03**

YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENTS OF COMPREHENSIVE INCOME INFORMATIONAL DATA (12 MONTHS)

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	YEAR	
		CURRENT	PREVIOUS
92000030	REVENUE NET (**)	9,701,044	11,202,181
92000040	OPERATING PROFIT (LOSS) (**)	661,507	-445,846
92000060	NET PROFIT (LOSS) (**)	-2,156,633	-1,160,288
92000050	PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT(**)	-2,156,633	-1,160,288
92000070	OPERATING DEPRECIATION AND AMORTIZATION (**)	2,894,271	3,331,880

(*) TO BE DEFINED BY EACH COMPANY

(**) INFORMATION LAST 12 MONTHS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL
 AXTEL, S.A.B. DE C.V.

QUARTER: 03 YEAR: 2015

STATEMENT OF CHANGES IN EQUITY
 (THOUSAND PESOS)

CONSOLIDATED
 Final Printing

CONCEPTS	CAPITAL STOCK	SHARES REPURCHASED	PREMIUM ON ISSUANCE OF SHARES	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	OTHER CAPITAL CONTRIBUTED	RETAINED EARNINGS (ACCUMULATED LOSSES)		ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
						RESERVES	UNAPPROPRIATE D EARNINGS (ACCUMULATED LOSSES)				
BALANCE AT JANUARY 1, 2014	6,627,890	0	644,710	0	0	162,334	92,724	0	7,527,658	0	7,527,658
RETROSPECTIVE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
APPLICATION OF COMPREHENSIVE INCOME TO RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL INCREASE (DECREASE)	88,934	0	0	0	0	0	0	0	88,934	0	88,934
REPURCHASE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN PREMIUM ON ISSUE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN NON-CONTROLLING INTERESTS	0	0	0	0	0	0	0	0	0	0	0
OTHER CHANGES	0	0	0	0	0	0	0	0	0	0	0
COMPREHENSIVE INCOME	0	0	0	0	0	0	-890,570	0	-890,570	0	-890,570
BALANCE AT SEPTEMBER 30, 2014	6,716,824	0	644,710	0	0	162,334	-797,846	0	6,726,022	0	6,726,022
BALANCE AT JANUARY 1, 2015	6,728,342	0	644,710	0	0	90,000	-1,753,543	-3,791	5,705,718	0	5,705,718
RETROSPECTIVE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
APPLICATION OF COMPREHENSIVE INCOME TO RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL INCREASE (DECREASE)	71,478	0	0	0	0	0	0	0	71,478	0	71,478
REPURCHASE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN PREMIUM ON ISSUE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN NON-CONTROLLING INTERESTS	0	0	0	0	0	0	0	0	0	0	0
OTHER CHANGES	0	0	0	0	0	0	0	0	0	0	0
COMPREHENSIVE INCOME	0	0	0	0	0	0	-1,128,602	0	-1,128,602	0	-1,128,602
BALANCE AT SEPTEMBER 30, 2015	6,799,820	0	644,710	0	0	90,000	-2,882,145	-3,791	4,648,594	0	4,648,594

MEXICAN STOCK EXCHANGE

 STOCK EXCHANGE CODE: **AXTEL**

 QUARTER: **03** YEAR: **2015**
AXTEL, S.A.B. DE C.V.

STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 2015 AND 2014

(Thousand Pesos)

CONSOLIDATED
Final Printing

REF	ACCOUNT/SUBACCOUNT	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
OPERATING ACTIVITIES			
50010000	PROFIT (LOSS) BEFORE INCOME TAX	-1,504,266	-1,180,904
50020000	+(-) ITEMS NOT REQUIRING CASH	1,655,167	368,379
50020010	+ ESTIMATE FOR THE PERIOD	118,262	129,491
50020020	+ PROVISION FOR THE PERIOD	0	0
50020030	+(-) OTHER UNREALISED ITEMS	1,536,905	238,888
50030000	+(-) ITEMS RELATED TO INVESTING ACTIVITIES	1,730,300	2,520,170
50030010	DEPRECIATION AND AMORTISATION FOR THE PERIOD	1,976,550	2,517,361
50030020	(-)+ GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	-256,189	-942
50030030	+(-) LOSS (REVERSAL) IMPAIRMENT	0	0
50030040	(-)+ EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES	0	3,263
50030050	(-) DIVIDENDS RECEIVED	0	0
50030060	(-) INTEREST RECEIVED	0	0
50030070	(-) EXCHANGE FLUCTUATION	0	0
50030080	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	9,939	488
50040000	+(-) ITEMS RELATED TO FINANCING ACTIVITIES	811,157	603,083
50040010	(+) ACCRUED INTEREST	920,930	596,109
50040020	(+) EXCHANGE FLUCTUATION	0	0
50040030	(+) DERIVATIVE TRANSACTIONS	0	0
50040040	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	-109,773	6,974
50050000	CASH FLOWS BEFORE INCOME TAX	2,692,358	2,310,728
50060000	CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	-272,802	-141,889
50060010	+(-) DECREASE (INCREASE) IN TRADE ACCOUNTS RECEIVABLE	-585,835	-491,347
50060020	+(-) DECREASE (INCREASE) IN INVENTORIES	12,351	-56,610
50060030	+(-) DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE	113,948	50,218
50060040	+(-) INCREASE (DECREASE) IN TRADE ACCOUNTS PAYABLE	349,944	384,004
50060050	+(-) INCREASE (DECREASE) IN OTHER LIABILITIES	-62,700	108,014
50060060	+(-) INCOME TAXES PAID OR RETURNED	-100,510	-136,168
50070000	NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	2,419,556	2,168,839
INVESTING ACTIVITIES			
50080000	NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	-1,452,444	-2,068,589
50080010	(-) PERMANENT INVESTMENTS	0	0
50080020	+ DISPOSITION OF PERMANENT INVESTMENTS	0	0
50080030	(-) INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	-1,538,716	-2,079,353
50080040	+ SALE OF PROPERTY, PLANT AND EQUIPMENT	129,122	4,051
50080050	(-) TEMPORARY INVESTMENTS	0	0
50080060	+ DISPOSITION OF TEMPORARY INVESTMENTS	0	0
50080070	(-) INVESTMENT IN INTANGIBLE ASSETS	0	0
50080080	+ DISPOSITION OF INTANGIBLE ASSETS	0	0
50080090	(-) ACQUISITIONS OF VENTURES	0	0
50080100	+ DISPOSITIONS OF VENTURES	0	0
50080110	+ DIVIDEND RECEIVED	0	0
50080120	+ INTEREST RECEIVED	0	0
50080130	+(-) DECREASE (INCREASE) ADVANCES AND LOANS TO THIRD PARTS	0	0
50080140	-(+)- OTHER INFLOWS (OUTFLOWS) OF CASH	-42,850	6,713
FINANCING ACTIVITIES			
50090000	NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	-1,407,313	1,168,302
50090010	+ BANK FINANCING	0	460,000
50090020	+ STOCK MARKET FINANCING	0	1,994,634
50090030	+ OTHER FINANCING	0	0
50090040	(-) BANK FINANCING AMORTISATION	0	-330,000
50090050	(-) STOCK MARKET FINANCING AMORTISATION	0	0
50090060	(-) OTHER FINANCING AMORTISATION	-299,715	-277,152
50090070	+(-) INCREASE (DECREASE) IN CAPITAL STOCK	0	0
50090080	(-) DIVIDENDS PAID	0	0
50090090	+ PREMIUM ON ISSUANCE OF SHARES	0	0
50090100	+ CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
50090110	(-) INTEREST EXPENSE	-1,107,598	-679,180
50090120	(-) REPURCHASE OF SHARES	0	0
50090130	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 2015 AND 2014

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF	ACCOUNT/SUBACCOUNT	CURREENT YEAR	PREVIOUS YEAR
		Amount	Amount
50100000	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-440,201	1,268,552
50110000	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	234,233	-36,783
50120000	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,697,835	1,292,263
50130000	CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,491,867	2,524,032

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

**DISCUSSION AND ANALYSIS OF THE
ADMINISTRATION ON THE RESULTS OF
OPERATIONS AND FINANCIAL CONDITION OF THE
COMPANY**

PAGE 1 / 1

CONSOLIDATED

Final Printing

SEE ATTACHED FILE

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

FINANCIAL STATEMENT NOTES

PAGE 1 / 1

CONSOLIDATED

Final Printing

SEE ATTACHED FILE

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (THOUSAND PESOS)

CONSOLIDATED

Final Printing

COMPANY NAME	PRICIPAL ACTIVITY	NUMBER OF SHARES	% OWNER SHIP	TOTAL AMOUNT	
				ACQUISITION COST	CURRENT VALUE
CONECTIVIDAD INALAMBRICA 7GHZ S. DE R.L.	SERVICIOS DE TELECOMUNICACIONES	2	50.00	24,497	8,217
TOTAL INVESTMENT IN ASSOCIATES				24,497	8,217

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **03** YEAR: **2015**

BREAKDOWN OF CREDITS

(THOUSAND PESOS)

CONSOLIDATED

Final Printing

CREDIT TYPE / INSTITUTION	FOREIGN INSTITUTION (YES/NO)	CONTRACT SIGNING DATE	EXPIRATION DATE	INTEREST RATE	MATURITY OR AMORTIZATION OF CREDITS IN NATIONAL CURRENCY						MATURITY OR AMORTIZATION OF CREDITS IN FOREIGN CURRENCY					
					TIME INTERVAL						TIME INTERVAL					
					CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR OR MORE	CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR OR MORE
STOCK MARKET																
LISTED STOCK EXCHANGE																
UNSECURED																
SECURED																
PRIVATE PLACEMENTS																
UNSECURED																
CTOS PRIMAS Y DCTOS EMISIO	YES				0	0	0	0	0	-111,433						
SENIOR NOTES 2017	YES	02/02/2007	01/02/2017	7.63							0	0	857,134	0	0	0
SENIOR NOTES 2019	YES	22/09/2009	22/09/2019	9							0	0	0	0	0	1,730,153
SENIOR SECURED NOTES 2020	YES	31/01/2013	31/01/2020	7,8 y 9							0	0	0	0	0	9,263,077
CONVERTIBLE NOTES 2020	YES	31/01/2013	31/01/2020	7,8 Y 9							0	0	0	0	0	99,541
SECURED																
TOTAL STOCK MARKET LISTED IN STOCK EXCHANGE AND PRIVATE PLACEMENT					0	0	0	0	0	-111,433	0	0	857,134	0	0	11,092,771

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **03** YEAR: **2015**

BREAKDOWN OF CREDITS
 (THOUSAND PESOS)

CONSOLIDATED
Final Printing

CREDIT TYPE / INSTITUTION	FOREIGN INSTITUTION (YES/NO)	DATE OF AGREEMENT	EXPIRATION DATE	MATURITY OR AMORTIZATION OF CREDITS IN NATIONAL CURRENCY						MATURITY OR AMORTIZATION OF CREDITS IN FOREIGN CURRENCY						
				TIME INTERVAL						TIME INTERVAL						
				CURRENT YEAR	UNTIL 1YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR OR MORE	CURRENT YEAR	UNTIL 1YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR OR MORE	
OTHER CURRENT AND NON-CURRENT LIABILITIES WITH COST																
OTROS PASIVOS CON COSTO	NOT			49,646	128,937	138,950	126,002	121,559	0							
OTROS PASIVOS CON COSTO	NOT									51,145	156,212	177,247	56,944	3,929	0	
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES WITH COST				49,646	128,937	138,950	126,002	121,559	0	51,145	156,212	177,247	56,944	3,929	0	
SUPPLIERS																
PROVEEDORES	NOT			1,709,364	0											
PROVEEDORES	NOT									968,378	0					
PROVEEDORES	YES									102,572	0					
TOTAL SUPPLIERS				1,709,364	0					1,070,950	0					
OTHER CURRENT AND NON-CURRENT LIABILITIES																
OTROS PASIVOS	NOT			597,285	110,104	198,086	0	0	0							
OTROS PASIVOS	NOT									283,617	20,707	114,922	0	0	0	
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES				597,285	110,104	198,086	0	0	0	283,617	20,707	114,922	0	0	0	
GENERAL TOTAL				2,356,295	369,041	337,036	126,002	121,559	-111,433	1,405,712	176,919	1,149,303	56,944	3,929	11,092,771	

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**
AXTEL, S.A.B. DE C.V.

QUARTER: **03** YEAR: **2015**

MONETARY FOREIGN CURRENCY POSITION

CONSOLIDATED

(THOUSAND PESOS)

Final Printing

FOREIGN CURRENCY POSITION (THOUSANDS OF PESOS)	DOLLARS		OTHER CURRENCIES		THOUSAND PESOS TOTAL
	THOUSANDS OF DOLLARS	THOUSAND PESOS	THOUSANDS OF DOLLARS	THOUSAND PESOS	
MONETARY ASSETS	135,304	2,301,157	0	0	2,301,157
CURRENT	135,304	2,301,157	0	0	2,301,157
NON CURRENT	0	0	0	0	0
LIABILITIES POSITION	816,448	13,885,578	0	0	13,885,578
CURRENT	93,056	1,582,631	0	0	1,582,631
NON CURRENT	723,392	12,302,947	0	0	12,302,947
NET BALANCE	-681,144	-11,584,421	0	0	-11,584,421

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

DEBT INSTRUMENTS

PAGE 1 / 2

CONSOLIDATED

Final Printing

FINANCIAL LIMITATIONS IN CONTRACT, ISSUED DEED AND / OR TITLE

- AS OF SEPTEMBER 30, 2015 INDEBTEDNESS DUE IN FEBRUARY 2017 AND SEPTEMBER 2019 (SENIOR NOTES) DOES NOT CONTEMPLATE ANY MATERIAL COVENANTS FOR THE COMPANY

 - IN TERMS OF THE INDEBTEDNESS ISSUED SEPTEMBER, 2014 AND JANUARY AND DECEMBER, 2013 DUE JANUARY 2020 (SENIOR SECURED NOTES AND SENIOR SECURED CONVERTIBLE NOTES) REFERRED THE FOLLOWING COVENANTS:
 - INDEBTEDNESS INCURRANCE, WHICH STATES NO ADDITIONAL DEBT IS ALLOWED IF THE COMPANY DOES NOT MAINTAIN TOTAL DEBT TO ADJUSTED EBITDA RATIO LESS THAN 4 TIMES

 - SECURITY OVER ISSUED DEBT, IN THE FORM OF A LIEN OVER STOCK OF SUBSIDIARIES OF THE COMPANY, A PLEDGE OVER SHARES IN SUBSIDIARIES OF THE COMPANY, A MORTGAGE ON THE ENTIRE PROPERTY OWNED BY THE COMPANY, A MORTGAGE ON ALL TELECOM CONCESSIONS (AND RELATED EQUIPMENT TO THE SUPPLYING OF TELECOMMUNICATION SERVICES) AND A PLEDGE, WITHOUT THE TRANSMISSION OF OWNERSHIP ON THE ENTIRE TANGIBLE AND INTANGIBLE COMPANY PROPERTY OVER THOSE ASSETS NOT COVERED BY THE ABOVE LIENS (WITH A FEW EXCEPTIONS).

 - SHORT-TERM DEBT WITH BANAMEX DUE FEBRUARY 2016 REFERRED THE FOLLOWING COVENANTS:
 - MAINTAIN TOTAL DEBT TO EBITDA RATIO LESS THAN 4 TIMES.
 - MAINTAIN EBITDA TO INTEREST EXPENSE RATIO GREATER THAN 2.50 TIMES.
-

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

DEBT INSTRUMENTS

PAGE 2 / 2

CONSOLIDATED

Final Printing

ACTUAL SITUATION OF FINANCIAL LIMITED

- THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS
-

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

DISTRIBUTION OF REVENUE BY PRODUCT

CONSOLIDATED

**TOTAL INCOME
(THOUSAND PESOS)**

Final Printing

MAIN PRODUCTS OR PRODUCT LINE	NET SALES		MARKET SHARE (%)	MAIN	
	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
NATIONAL INCOME					
RENTAS	0	1,663,467	0.00		
VOZ	0	841,695	0		
INTERNET Y VIDEO	0	1,095,809	0		
DATOS Y REDES	0	1,514,360	0		
SERV INTEGRADOS	0	1,641,911	0		
VENTA DE EQUIPO	0	126,126	0		
TRAFICO INTL.	0	247,513	0		
OTROS SERVICIOS	0	187,630	0		
EXPORT INCOME					
INCOME OF SUBSIDIARIES ABROAD					
TOTAL	0	7,318,511			

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL
 AXTEL, S.A.B. DE C.V.

QUARTER: 03 YEAR: 2015

ANALYSIS OF PAID CAPITAL STOCK
 CHARACTERISTICS OF THE SHARES

CONSOLIDATED

Final Printing

SERIES	NOMINAL VALUE	VALID COUPON	NUMBER OF SHARES				CAPITAL STOCK	
			FIXED PORTION	VARIABLE PORTION	MEXICAN	FREE SUBSCRIPTION	FIXED	VARIABLE
A	0.00000	0	97,750,656	0	97,750,656	0	73,396	0
B	0.00000	0	9,177,823,317	0	0	9,177,823,317	6,726,424	0
TOTAL			9,275,573,973	0	97,750,656	9,177,823,317	6,799,820	0

TOTAL NUMBER OF SHARES REPRESENTING THE PAID IN CAPITAL STOCK ON
 THE DATE OF SENDING THE INFORMATION

9,275,573,973

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

DERIVATIVE FINANCIAL INSTRUMENTS

PAGE 1 / 3

CONSOLIDATED

Final Printing

AXTEL, S.A.B. DE C.V. REPORTS THEIR OPERATIONS WITH FINANCIAL DERIVATIVE INSTRUMENTS, COMPLEMENTARY TO THE 3RD QUARTER 2015 FINANCIAL INFORMATION REPORT:

QUALITATIVE AND QUANTITATIVE INFORMATION:

DERIVATIVES POLICY

AXTEL, S.A.B. DE C.V. (" THE COMPANY OR AXTEL ") 'S INTERNAL POLICY IS TO CONTRACT DERIVATIVE INSTRUMENTS TO MITIGATE PRIMARILY EXCHANGE AND INTEREST RATE RISK EXPOSURE WITH RESPECT TO OUR FOREIGN CURRENCY OBLIGATIONS OR COMMITMENTS CONTRACTED IN CURRENCIES DIFFERENT THAN THE MEXICAN PESO.

THE STRATEGY OF THE COMPANY DEPENDS ON THE PARTICULAR RISK TO BE HEDGED, IN ACCORDANCE TO THE ESTABLISHED POLICY. WE PREFER INSTRUMENTS THAT COMPLY WITH IFRS OF THE INTERNATIONAL FINANCIAL INFORMATION RULES AS HEDGE INSTRUMENTS, ALTHOUGH OTHER INSTRUMENTS CAN BE CONSIDERED ALSO AS LONG AS SUCH INSTRUMENTS REDUCE AXTEL'S RISKS AGAINST ITS FOREIGN CURRENCY EXPOSURE. ONCE DEFINED THE TYPE OF FINANCIAL INSTRUMENT TO BE USED, THE COMPANY DEALS WITH INTERNATIONAL COUNTERPARTIES ON THE OVER THE COUNTER MARKET ("OTC"). THE COUNTERPARTY MUST HAVE INVESTMENT GRADE BY THE MAJOR RATING AGENCIES OR MET AXTEL'S INTERNAL TREASURY POLICIES. THE COMPANY REQUESTS AT LEAST TWO QUOTES FROM COUNTERPARTIES. THESE ARE COMPARED AND ANALYZED UNDER THE PARAMETERS OF THE FINANCIAL INFORMATION STANDARD (IFRS), AND THEN THE MOST COMPETITIVE IS SELECTED. ALL THE OPERATIONS MUST BE AUTHORIZED BY THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR.

THE VALUATION AGENTS ARE ESTABLISHED IN THE CONTRACT OF FINANCIAL DERIVATIVE INSTRUMENTS OR INTERNATIONAL SWAP DERIVATIVES ASSOCIATION, ("ISDA") AND THEIR SCHEDULES. THESE DOCUMENTS CONTAIN THE TERMS AND CONDITIONS AND THE REQUIRED DOCUMENTATION FOR EACH TRANSACTION, SUCH AS: PAYMENT DATES, CALCULATION AGENT, DEFAULTS, CURRENCY OF DELIVERY, MARGIN CALLS AND APPLICABLE LEGISLATION AMONG OTHERS. IN ORDER TO DETERMINE THE MARK TO MARKET ON A SPECIFIC DATE, THE COMPANY REALIZES THEIR OWN VALUATIONS EXTRACTING ECONOMIC INFORMATION FROM SPECIALIZED SOURCES SUCH AS REUTERS, BLOOMBERG, BANXICO'S WEB PAGE, AND OTHER FINANCIAL INSTITUTIONS.

DURING THE 3RD QUARTER 2015 NO HEDGE TRANSACTIONS WERE TRADED BY THE COMPANY, SO AT THE END OF THE 3RD QUARTER 2015 THE COMPANY HAS NO OPERATIONS OF DERIVATIVE FINANCIAL INSTRUMENTS OUTSTANDING.

MARGIN CALLS, COLLATERAL AND CREDIT LINES.

MARGINS CALLS AND COLLATERALS ARE ESTABLISHED ALSO IN THE ISDA AGREEMENT. THESE ARE ESTABLISHED BY THE COUNTERPARTIES DEPENDING ON THE AUTHORIZED CREDIT LINES AND DETERMINED THRESHOLD LIMITS. THE COMPANY DOES NOT OPERATE WITH COUNTERPARTIES THAT DO NOT OFFER REASONABLE LINES RELATIVE TO THE SIZE OF THE TRANSACTION CLOSED. A TRANSACTION IS NOT NEGOTIATED WITH A COUNTERPARTY THAT DOES NOT OFFER A SUFFICIENT LINE RELATED TO THAT SPECIFIC HEDGE.

LEVELS OF AUTHORIZATION

THE AUTHORIZED OFFICERS TO CLOSE DERIVATIVE TRANSACTIONS ARE THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR, WITH APPROVAL OF THE CHIEF FINANCIAL OFFICER. DEPENDING ON THE NOTIONAL AMOUNT OF EACH TRANSACTION, THE INTERNAL TREASURY COMMITTEE IS INFORMED AND SUBSEQUENTLY APPROVES CERTAIN TRANSACTIONS, ACCORDING TO

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

DERIVATIVE FINANCIAL INSTRUMENTS

PAGE 2 / 3

CONSOLIDATED

Final Printing

AXTEL'S INTERNAL TREASURY POLICIES. THE PROCEDURE OF EVERY OPERATION IS REALIZED WITH TWO OR MORE QUOTES WHICH ARE SHOWN BY THE FINANCE, TREASURY AND INVESTOR RELATIONS DIRECTOR TO THE CHIEF FINANCIAL OFFICER WHO DECIDES TO PROCEED OR NOT WITH SUCH OPERATION.

PROCEDURES OF INTERNAL CONTROL

ONCE THE TRANSACTION IS CLOSED THE COUNTERPARTY SENDS A CONFIRMATION WHICH SPECIFIES THE TERMS AND CONDITIONS OF THE DEAL TO THE COMPANY. THE COMPANY'S TREASURY DEPARTMENT ("TREASURY") REVIEWS IT AND SENDS IT TO THE ACCOUNTING DEPARTMENT FOR ITS PROPER REGISTRATION.

IN ORDER TO KEEP CONTROL OVER EACH TRANSACTION, ON A MONTHLY BASIS, TREASURY EXECUTES VALUATIONS TO DETERMINE THE MARK TO MARKET AND THE EFFECTIVENESS OF THE DERIVATIVE INSTRUMENTS. THESE VALUATIONS ARE PERFORMED WITH TESTS ESTABLISHED IN THE IFRS. ONCE THESE VALUATIONS ARE MADE, THE INFORMATION IS PASSED ALONG TO THE ACCOUNTING DEPARTMENT FOR PROPER REGISTRATION IN THE BOOKS. ON A QUARTERLY BASIS, OUR EXTERNAL AUDITORS REVIEW THE ABOVE MENTIONED RECORDS APPLYING THEIR OWN VALUATION AND CALCULATION METHODS.

EXTERNAL REVIEW

KPMG CARDENAS DOSAL, S.C., THE COMPANY'S EXTERNAL AUDITORS, REVIEWS PERIODICALLY THE VALUATION AND ACCOUNTING RECORDS OF THESE OPERATIONS.

VALUATION TECHNIQUES

THE VALUATION OF DERIVATIVE INSTRUMENTS WITH HEDGING PURPOSES IS REALIZED USING ITS FAIR VALUE METHOD.

IT SHOULD BE NOTED THAT BECAUSE SUCH ASSESSMENTS ARE MADE ABOVE ACCORDING TO INTERNATIONAL STANDARDS IFRS, THE MARKET VALUE REGISTERED BY THE COMPANY INCLUDE COUNTERPARTY RISK, FOR THAT REASON AND IN CASE THE MARKET VALUE IS IN FAVOR OF AXTEL (ASSET) THIS INCLUDES THE CDS (CREDIT DEFAULT SWAP) OF THE COUNTERPARTY, AND IF THE MARKET VALUE IS IN FAVOR OF THE COUNTERPARTY (LIABILITY) THE RECORD INCLUDES COUNTERPARTY RISK IN THE RECORD AXTEL (Z-SPREAD).

WITH THE PURPOSE OF MONITORING THE EFFECTIVENESS OF DERIVATIVES WITH HEDGING PURPOSES, PROSPECTIVE (ANALYSIS OF LINEAR REGRESSION) AND RETROSPECTIVES (PERIODIC OR ACCUMULATED COMPENSATION) TESTS ARE REALIZED USING STATISTICAL SAMPLES OF MARKET VARIABLES (INTEREST AND EXCHANGE RATES), IN ACCORDANCE TO THE IFRS. THIS TECHNIQUE ALLOWS THE MONITORING OF THE DERIVATIVE INSTRUMENTS' PERFORMANCE AND THE LIKELIHOOD THAT A PARTICULAR DERIVATIVE INSTRUMENT COULD NOT BE TREATED AS A HEDGE INSTRUMENT IN THE FUTURE.

AXTEL PREPARES ITS OWN VALUATIONS, WHICH IS COMPARED AGAINST THE COUNTERPARTY'S VALUATION. IF THERE IS A SIGNIFICANT DIFFERENCE, FURTHER CLARIFICATION IS REQUESTED.

IN ORDER TO DETERMINE THE EFFECTIVENESS OF THE HEDGING, THE METHOD OF PERIODIC COMPENSATION IS USED.

AT LEAST ONCE A YEAR, THE EXTERNAL AUDITORS OF THE COMPANY (KPMG CARDENAS DOSAL, S.C) REVIEW THE DERIVATIVE INSTRUMENTS ACCOUNTING RECORDS AND VALIDATE THEIR EFFECTIVENESS IN ACCORDANCE WITH THE IFRS.

SOURCES OF LIQUIDITY.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2015**

AXTEL, S.A.B. DE C.V.

DERIVATIVE FINANCIAL INSTRUMENTS

PAGE 3 / 3

CONSOLIDATED

Final Printing

MOST OF COMPANY'S REVENUES ARE PESOS DENOMINATED. WITH THE PURPOSE OF ELIMINATING THE RISK ASSOCIATED OF HAVING REVENUES IN PESOS AND INTEREST PAYMENT OBLIGATIONS IN DOLLARS ASSOCIATED WITH THE SENIOR NOTES (SEE "DEBT PROFILE"), THE COMPANY ENTERED INTO "INTEREST ONLY SWAPS" AND FX FORWARDS, WHEREBY, THE COMPANY EFFECTIVELY LOCKS THE ABOVE MENTIONED INTEREST PAYMENTS INTO PESOS, MET WITH THE CASH FLOW GENERATED BY ITS OPERATION.

THE COMPANY DOES NOT CURRENTLY HAVE LINES OF CREDIT FOR THIS TYPE OF INSTRUMENTS.

THE RISKS THAT ARE IDENTIFIED ARE THE DECREASE OF THE EXCHANGE RATE FOR ALL THE DERIVATIVE INSTRUMENTS.

QUANTITATIVE INFORMATION (FIGURES EXPRESSED IN THOUSANDS EXCEPT THAT ANOTHER REFERENCE IS INDICATED).

AS OF SEPTEMBER 30, 2015, THE COMPANY HAD NO DERIVATIVE INSTRUMENTS CONTRACTED:

AT THE DATE OF FINANCIAL STATEMENTS, THERE IS REGISTERED \$114,009 AS A PASSIVE POSITION, TO RECOGNIZE THE EFFECT OF TERMS AND CLAUSES OF SENIOR SECURED CONVERTIBLE NOTES ISSUED IN JANUARY 2013, THAT HAVE FEATURES OF DERIVATIVES (EMBEDDED DERIVATIVES); IN ACCORDANCE WITH THE PROVISIONS OF IAS 39.

SENSIBILITY ANALYSIS:

NO SENSIBILITY TESTS WERE PERFORMED DUE TO THERE ARE NO DERIVATIVE FINANCIAL INSTRUMENTS OPERATIONS AT THE END OF THE 3RD QUARTER OF 2015.

San Pedro Garza Garcia, Mexico, October 22, 2015 - Axtel, S.A.B. de C.V. (“AXTEL” or “the Company”), a leading Mexican fixed-line integrated telecommunications company, announced today its unaudited third quarter results ended September 30, 2015⁽¹⁾.

For additional information, please contact Adrian de los Santos, Investor Relations Officer and Corporate Finance Director at ir@axtel.com.mx

Highlights:

- ❖ The Company’s Adjusted EBITDA for the year-to-date period has increased 6% despite the impact from the elimination of domestic long-distance billing and the expected decline of our WiMAX business. Positive performance from the enterprise and FTTH businesses support this result.
- ❖ As informed earlier this month, Axtel, Alfa and Alestra signed a Memorandum of Understanding to merge Axtel and Alestra. Axtel will survive as an operating and publicly-traded company and will issue new shares to Alfa representing 51% of the combined entity.
- ❖ The signing of this agreement is a key strategic move in line with the telecom industry consolidation trend. It is also a milestone of a process that started with the early 2013 non-core major asset divestiture and recapitalization plan which provided financial flexibility to continue executing our strategic initiatives. This transaction will create a company with stronger competitive position and prospects to achieve a more profitable and sustainable growth.

Revenues from operations

Revenues from operations totaled Ps. 2,360 million in the third quarter of year 2015 from Ps. 2,570 million for the same period in 2014, a decrease of Ps. 210 million or 8%.

Revenues from operations totaled Ps. 9,701 million in the twelve month period ended September 30, 2015, compared to Ps. 11,202 million in the same period in 2014, a decrease of Ps. 1,501 million, or 13%.

Sources of Revenues

Note: Due to the Telecommunications Reform, as of January 1st, 2015, domestic long distance charges were eliminated. Therefore, since the first quarter this year, revenue services previously reported under “local” and “long distance” categories have been re-grouped under two new categories: “rents” and “voice services”. Please see Note 2 for more information and 2014 figures for these new categories.

Rents. Monthly rents revenues totaled Ps. 545 million in the third quarter of 2015, compared to Ps. 590 million for same period in 2014, representing an 8% decrease less than the 11% decrease in the average number of customers. For the twelve month period ended September 30, 2015, rents revenues decreased 4% due to, among others, a 5% decline in the average number of lines in service.

Voice services. Revenues amounted to Ps. 277 million in the third quarter of 2015, compared to Ps. 414 million in the same period in 2014, a 33% decrease. More than half of this decline is explained by decreases in revenues of domestic long distance calls to both fixed and mobile lines due to the elimination of domestic long distance charges in 2015. For the twelve month period ended September 30, 2015, voice revenues totaled Ps. 1,213 million compared to Ps. 1,652 million registered in 2014, a 27% decline also due to the elimination of domestic long distance charges.

Internet & Video. Quarterly revenues totaled Ps. 375 million, compared to Ps. 339 million in the same period in 2014, an 11% increase driven by a 46% increase in the pay-tv service and a 2% increase in mass market, or “on-demand” internet services revenues. During the twelve month period ended on September 30, 2015, internet and video services revenues totaled Ps. 1,449 million from Ps. 1,273 million registered in 2014, an increase of Ps.176 million, or 14%, due to strong performance of both video and FTTH internet services.

Data & Network. Data and network revenues amounted to Ps. 514 million in the third quarter of 2015, compared to Ps. 466 million in the same period in 2014, a 10% or Ps. 48 million increase driven by a 15% increase in private lines and 8% increase in dedicated internet due to a stronger demand for these services by enterprise customers. During the twelve month period ended on September 30, 2015, data and network services revenues totaled Ps. 2,008 million from Ps. 1,848 million registered in 2014, a 9% increase.

Integrated Services & Equipment Sales. Quarterly revenues totaled Ps. 504 million in the third quarter of 2015, from Ps. 335 million in the same quarter of previous year, a 50% increase due to revenues flowing from existing and new projects closed during the last three quarters with both enterprise and government entities. For the twelve month period ended September 30, 2015, revenues totaled Ps. 2,025 million from Ps. 2,345 million registered in 2014, a 14% decrease.

International traffic. In the third quarter of 2015, international traffic revenues totaled Ps. 74 million, a decrease of Ps. 269 million or 78% versus the same quarter of previous year, explained mainly by declines in prices of mobile calls and the elimination of transit traffic, or traffic that terminates in other countries and not in Mexico. For the twelve month period ended September 30, 2015, revenues from international traffic totaled Ps. 423 million from Ps. 1,372 million in the same period in 2014, a 69% decrease mainly explained by a decline in volume and prices of international mobile traffic and decline in transit traffic.

Other services. Quarterly revenues from other services totaled Ps. 72 million in the third quarter of 2015, from Ps. 84 million in the same quarter of previous year, a 14% decrease due to declines in memberships. For the twelve month period ended September 30, 2015, revenues totaled Ps. 303 million from Ps. 330 million registered in 2014, a decrease of Ps. 27 million, or 8%.

Revenues by segment *(Excludes International Traffic)

Mass Market. Revenues totaled Ps. 822 million in the third quarter of 2015, an 8% decrease compared to the same quarter in 2014. This was mainly due to continued disconnections in wireless customers and elimination of domestic long distance charges which translated into 9% and 38% decreases in rents and voice revenues. The decline was partially compensated by an 11% increase in internet and video revenues. For the twelve month period ended September 30, 2015, revenues totaled Ps. 3,417 million, a 3% decrease compared to the same period in 2014.

Enterprise (including Government). Revenues for this segment amounted to Ps. 1,270 million in the three month period ended September 30, 2015, an increase of 8% versus the same period in 2014. This is mostly explained by a 52% increase in integrated services revenues mitigating a 37% decline in voice revenues mainly due to the elimination of national long distance billing. For the twelve month period ended September 30, 2015, revenues decreased 9% due to declines in voice and integrated services revenues.

Interconnection, Public Telephony and Carriers. Revenues for this segment totaled Ps. 194 million in the third quarter 2015, a 16% increase compared to the same quarter in 2014 mostly due to increases in private lines revenues. For the twelve month period ended September 30, 2015, revenues reached Ps. 762 million, an increase of 14% compared to the same period in 2014.

Consumption

Local Calls. Local calls totaled 380 million in the third quarter of 2015, compared to 412 million calls for the same period in 2014, representing a decrease of 8%. Billed local calls increased 85% due to certain volume of domestic long distance calls now being billed as local calls since the beginning of 2015. Local calls included in commercial offers decreased 24% and represented 71% of total calls in the third quarter of 2015. For the twelve month period ended September 30, 2015, local calls decreased 6% compared to the same period in 2014, due to a decrease in calls included in commercial offers.

Cellular (“Calling Party Pays”). Minutes of use of calls completed to a cellular line amounted to 403 million in the three month period ended September 30, 2015, compared to 342 million in the same period in 2014, an 18% increase. This was mainly due to a 26% increase in billed minutes related to 045 billed cellular minutes. Billed cellular minutes represented 87% of cellular minutes in the third quarter of 2015, compared to 81% in the year-earlier quarter. For the twelve month period ended September 30, 2015, cellular minutes increased 26% compared to the same period in 2014, mainly due to a 57% increase in billed 045 cellular minutes.

Operating Data

RGUs⁽⁸⁾ and Customers. As of September 30, 2015, RGUs (Revenue Generating Units) totaled 1,400 thousand. During the third quarter of 2015, there were 27 thousand net disconnections, compared to 2 thousand net additions in the third quarter of 2014 due to a greater number of wireless disconnections in 2015. As of September 30, 2015, customers totaled 544 thousand, a decline of 76 thousand from the same date in 2014. Total customers declined 19 thousand on a sequential basis.

Voice RGUs (lines in service). As of September 30, 2015, lines in service totaled 836 thousand. During the third quarter of 2015 and third quarter 2014, gross additional lines totaled 43 and 55 thousand respectively. Disconnections in the third quarter 2015 totaled 63 thousand compared to 54 thousand in the year-earlier quarter. Lines in service in the third quarter of 2015 decreased 20 thousand, compared to a decrease of 6 thousand in the same period of 2014. As of September 30, 2015, residential lines represented 55% of total lines in service.

Broadband RGUs (broadband subscribers). Broadband subscribers decreased 11% year-over-year totaling 461 thousand as of September 30, 2015. During the third quarter of 2015, broadband subscribers' net disconnections totaled 12 thousand compared to 1 thousand net additions in the same period of 2014, due to larger disconnections of wireless subscribers this quarter. As of September 30, 2015, wireless broadband subs reached 265 thousand, compared to 345 thousand a year ago, while AXTEL X-tremo, or FTTH customers, totaled 196 thousand compared to 172 thousand a year ago. Broadband penetration has remained at 55% during the past year.

Video subscribers. As of September 30, 2015, video subscribers reached 104 thousand compared to 87 thousand a year ago, a 19% increase.

Line equivalents (E0 equivalents). We offer from 64 kilobytes per second ("KBps") up to 200 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 September 30, 2015, line equivalents totaled 1,187 thousand, a 21% increase.

Cost of Revenues and Operating Expenses

Cost of Revenues. For the three month period ended September 30, 2015, the cost of revenues represented Ps. 444 million, a decrease of 35% or Ps. 237 million, compared with the same period of year 2014, explained by a decline in international traffic volume due to the elimination of transit traffic and also by decreases in mobile costs related to the elimination of termination costs paid to the preponderant carrier. These reductions mitigated an increase in integrated services and equipment sales costs due to increased related revenues. For the twelve month period ended September 30, 2015, cost of revenues reached Ps. 2,001 million, a 45% decrease in comparison with the twelve month period ended September 30, 2014, mainly due to declines in fixed to mobile costs, in integrated services and equipment sales costs associated to a lower level of revenues and in international traffic costs due to lower volume and termination costs of mobile calls.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the third quarter of 2015, the gross profit accounted for Ps. 1,916 million, 1% higher to the same period in year 2014. The gross profit margin increased from 73.5% to 81.2% year-over-year, mainly due to the decline in interconnection rates paid to the preponderant player and the decline in revenues of international traffic which has low margins. For the twelve month period ended September 30, 2015, our gross profit totaled Ps. 7,700 million, compared to Ps. 7,561 million recorded in year 2014, an increase of Ps. 139 million or 2%.

Operating expenses. In the third quarter of year 2015, operating expenses totaled Ps. 1,135 million, Ps. 16 million or 1% higher than the Ps. 1,120 million recorded in the same period in year 2014, explained mainly by increases in rents and personnel expenses mitigated by a slight reduction in outsourcing expenses. For the twelve month period ended September 30, 2015, operating expenses totaled Ps. 4,546 million, similar to the Ps. 4,576 million of the same period in 2014. Personnel represented 41% of total operating expenses in the twelve month period ended September 30, 2015.

Adjusted EBITDA, D&A and Operating Income

Adjusted EBITDA⁽⁵⁾. The Adjusted EBITDA totaled Ps. 781 million for the three month period ended September 30, 2015, a 1% increase compared to Ps. 769 million for the same period in 2014. As a percentage of total revenues, Adjusted EBITDA margin represented 33.1% in the third quarter of 2015, 314 bps higher than the margin recorded in the year-earlier quarter. For the twelve month period ended September 30, 2015, Adjusted EBITDA amounted to Ps. 3,154 million, compared to Ps. 2,985 million in year 2014, a 6% increase.

Depreciation and Amortization⁽⁹⁾. Depreciation and amortization totaled Ps. 674 million in the three month period ending on September 30, 2015 compared to Ps. 832 million for the same period in year 2014, a Ps. 158 million decrease due to lower capital investments in recent years and also to a larger proportion of investments in fiber which increases the average life of our assets. Depreciation and amortization for the twelve month period ended September 30, 2015 reached Ps. 2,894 million, 13% lower than the Ps. 3,332 million registered in the same period in year 2014.

Operating Income (loss). In the three month period ended September 30, 2015, the Company recorded an operating income of Ps. 132 million compared to an operating loss of Ps. 100 million registered in the same period in year 2014. For the twelve month period ended September 30, 2015, operating income reached Ps. 662 million when compared to the operating loss of Ps. 446 million in the same period of year 2014, an increase of Ps. 1,107 million mainly explained by the agreement with America Movil in the first quarter of 2015 and a lower lever of depreciation and amortization in the year 2015.

CFR, Indebtedness, Cash, Investments and Derivative Instruments

Comprehensive financing result. Net interest expense for the third quarter 2015 increased Ps. 124 million due to the higher level of debt in dollar terms and the increase on the interest rate related to the step-up scheme of the 2020 Secured Notes. During the third quarter of 2015, the peso depreciated 8% against the U.S. dollar generating a FX loss of Ps. 951 million while during the third quarter of 2014 the peso depreciated 3% against the U.S. dollar generating a FX loss of Ps. 274 million. Concerning variations in the fair value of financial instruments, these are partly explained by 62% increase and a 19% decrease in the price of AXTELCPO during the third quarter of 2015 and 2014 respectively, which affected the valuation of AXTEL's position held in its own stock through the zero-strike call instruments. The Ps. 3,441 million comprehensive financing loss for year ended in September 2015, compared to a Ps. 1,021 million loss for year ended in September 2014, is mainly explained by the

increase in interest expense and the Ps. 2,371 million FX loss during 2015 due to a 21% depreciation of the peso against the U.S. dollar.

Debt. At the end of the third quarter 2015, total debt increased Ps. 2,784 million in comparison with third quarter 2014, explained by (i) a Ps. 87 million decrease related to the conversion of some 2020 secured notes, (ii) an increase of Ps. 281 million in leases and other financial obligations mostly related to a Ps. 323 million increase in a capacity lease (IRU), (iii) a Ps. 37 million decrease related to the notes' discount, issuance and deferred financing costs, (iv) a Ps. 28 million increase related to the implicit derivative instrument embedded in the Senior Secured Convertible Notes and (v) a Ps. 2,599 million non-cash increase caused by the 21% depreciation of the Mexican peso.

Cash. As of the end of the third quarter of 2015, the cash and equivalents balance totaled Ps. 2,492 million, compared to Ps. 2,524 million a year ago, and Ps. 2,772 million at the beginning of the quarter. As of the end of the quarter, 79 percent of the cash balance was maintained in dollars, the rest in pesos.

Capital Investments. In the third quarter of 2015, capital investments totaled Ps. 515 million, or \$31 million, compared to Ps. 748 million, or \$57 million, in the year-earlier quarter. For the twelve month period ended September 30, 2015, capital investments totaled Ps. 2,297 million, or \$152 million, compared to Ps. 2,963 million, or \$226 million, for 2014.

Other Investments. As of September 30, 2015, the Company maintained an economic position equivalent to 43.5 million AXTELCPOs in ZSC.

Financial Instruments. The following table summarizes the Company's financial instruments position as of September 30, 2015.

	AXTEL receives	AXTEL pays	Other
Zero-strike Equity Call Option			
Notional			30.4 million AXTELCPO
Value	30.4 million AXTELCPO	Strike price: €1 per CPO	
Settlement			In cash
Expiration Date			January 2016
Valuation			Ps. 240.5 million
Notional			11.1 million AXTELCPO
Value	11.1 million AXTELCPO	Strike price: €1 per CPO	
Settlement			In cash
Expiration Date			November 2015
Valuation			Ps. 87.9 million
Notional			2.0 million AXTELCPO
Value	2.0 million AXTELCPO	Strike price: €1 per CPO	
Settlement			In cash
Expiration Date			December 2015
Valuation			Ps. 15.6 million

At the end of the quarter, the Company's balance sheet recorded a liability of Ps. 114 million to reflect an implicit derivative instrument embedded in its Senior Secured Convertible Notes, per applicable accounting standards.

Financial Statements

Information as of September 30, 2015 compared with information as of September 30, 2014

Assets

As of September 30, 2015, total assets summed Ps. 22,143 million compared to Ps. 21,657 million as of September 30, 2014, an increase of Ps. 486 million, or 2%.

Cash and equivalents. As of September 30, 2015, we had cash and cash equivalents of Ps. 2,492 million compared to Ps. 2,524 million in the same date of year 2014, a 1% decline.

Accounts Receivable. As of September 30, 2015, the accounts receivable were Ps. 2,894 million compared with Ps. 3,344 million in the same date of 2014, a decrease of Ps. 450 million or 13%.

Property, plant and equipment, net. As of September 30, 2015, the net of depreciation value of property, plant and equipment was Ps. 13,357 million compared with Ps. 13,079 million as of September 30, 2014, an increase of Ps. 278 million or 2%. The property, plant and equipment without adjusting for the accumulated depreciation, was Ps. 43,174 million and Ps. 40,106 million as of September 30, 2015 and September 30, 2014, respectively.

Liabilities

Total liabilities were Ps. 17,494 million as of September 30, 2015 compared to Ps. 14,931 million as of September 30, 2014, an increase of Ps. 2,563 million or 17% mainly driven by the non-cash increase in debt related to the 21% peso depreciation against US dollar.

Accounts payable & accrued expenses. On September 30, 2015, the accounts payable and accrued expenses were Ps. 2,780 million compared with Ps. 3,273 million on September 30, 2014, a decrease of Ps. 493 million or 15%.

Stockholders' Equity

On September 30, 2015, the stockholders equity of the Company was Ps. 4,649 million compared with Ps. 6,726 million as of September 30, 2014, a decrease of Ps. 2,077 million, or 31%. The capital stock was Ps. 6,800 million as of September 30, 2015 compared to Ps. 6,717 as of September 30, 2014, a slight increase mainly due to the conversion of some of the Company's Senior Secured Convertible Notes due 2020.

Liquidity and Capital Resources

Historically we have relied primarily on vendor financing, the proceeds of the sale of securities, internal cash from operations and the proceeds from bank debt to fund our operations, capital expenditures and working capital requirements. Additionally, and subject to (i) market conditions, (ii) our liquidity position and (iii) contractual obligations, from time to time, we might acquire senior secured and unsecured notes in the open market or in privately negotiated transactions. Although we believe that we will be able to meet our debt service obligations and fund our operating requirements in

the future with cash flow from operations, we may seek additional financing with commercial banks or in the capital markets from time to time depending on market conditions and our financial requirements. We will continue to focus on investments in property, systems and infrastructure and working capital management, including the collection of accounts receivable and management of accounts payable.

Cash Flow Statement

For the three month period ended September 30, 2015 compared with the three month period ended September 30, 2014

Net resources provided by operating activities were Ps. 783 million for the three month period ended on September 30, 2015 compared to Ps. 963 million recorded in the same period of year 2014.

Net resources (used in) provided by investing activities were Ps. (527) million for the three month period ended on September 30, 2015 compared to Ps. (738) million recorded in the same period of year 2014. These flows primarily reflect investments in fixed assets of Ps. 515 million and Ps. 748 million, respectively.

Net resources (used in) provided by financing activities were Ps. (689) million for the three month periods ended on September 30, 2015 and Ps. 1,537 million for 2014.

For the twelve months ended September 30, 2015 compared with twelve months ended September 30, 2014

Net resources provided by operating activities were Ps. 3,450 million for the twelve month period ended on September 30, 2015 compared to Ps. 3,419 million recorded in the same period of 2014.

Net resources (used in) provided by investing activities were Ps. (2,231) million for the twelve month period ended on September 30, 2015 compared to Ps. (2,947) million recorded in the same period of year 2014. These flows primarily reflect investments in fixed assets of Ps. 2,297 million and Ps. 2,963 million, respectively.

Net resources (used in) provided by financing activities were Ps. (1,606) million for the twelve month periods ended on September 30, 2015 and Ps. 1,457 million for 2014 due to the US\$150 million reopening of the 2020 Senior Notes.

As of September 30, 2015, the ratios of net debt to Adjusted EBITDA and interest coverage of the company were 3.3x and 2.6x, respectively. As of September 30, 2014 the ratios of net debt to Adjusted EBITDA and interest coverage, were 2.6x and 3.7x, respectively.

Other important information

- 1) We are presenting financial information based on International Financial Reporting Standards (IFRS) in nominal pesos for the following periods:

- Consolidated income statement information for the three month periods ending on September 30, 2015 and 2014, and June 30, 2015; and twelve month period ending on September 30, 2015 and 2014, and
- Balance sheet information as of September 30, 2015 and 2014; and June 30, 2015.

2) Revenues are derived from:

- i. Rents. Revenues are generated from the provision of connectivity to AXTEL's infrastructure which can deliver voice, data and video services to its customers. Services are provided through bundled commercial offers or, in some instances, as stand-alone or add-on services.
- ii. Voice services. The Company may charge customers a per call fee for local calls ("measured service"), a per minute usage fee for CPP calls, a per minute usage fee for international long distance completed calls and for services related to 800s numbers for the enterprise segment.
- iii. Internet & video. We generate revenues by providing "on demand" Internet access and video (Pay-TV) services.
- iv. Data & network. We generate revenues by providing data, dedicated Internet and network services, such as virtual private networks and private lines, to the enterprise and government segments.
- v. Integrated Services & equipment sale. We generate revenues from managed telecommunications services provided to corporate customers, financial institutions and government entities and the sale of customer premises equipment ("CPE") necessary to provide these services.
- vi. International traffic. We generate revenues terminating international traffic from foreign carriers.
- vii. Other services. Include, among others, memberships, late payment charges, spectrum, interconnection, activation and wiring and presubscription.

Ingresos - 2014

Millones de Pesos	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Rents	597	595	590	616
Voice Services	410	391	414	372
Internet & Video	315	330	339	353
Data & Network	464	474	466	494
Int. Services & Eq. Sales	759	428	335	257
Intl. Traffic	344	372	343	175
Others	81	84	84	115
	2,971	2,673	2,570	2,383

- 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 and towers 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 axtel.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 97,750,656 and 9,177,823,317, respectively, as of September 30, 2015.
- 7) Net Debt to Adjusted EBITDA: The figure comes from dividing the net debt at the end of the period by the respective LTM 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, broadband service customers and video subscribers.
- 9) Depreciation and amortization includes depreciation of all communications network and equipment and amortization of pre-operating expenses and cost of spectrum licenses, among others.
- 10) Subject to market conditions, the Company's liquidity position and its contractual obligations, from time to time, the Company may acquire its senior secured and unsecured notes in the open market or in privately negotiated transactions.

Analyst Coverage: The analysts mentioned below currently cover Axtel S.A.B. de C.V.

- Bank of America-Merrill Lynch
- BBVA Bancomer
- BTG Pactual
- Casa de Bolsa Banorte Ixe, Grupo Financiero Banorte
- Credit Suisse Securities
- GBM Grupo Bursátil Mexicano
- Itaú BBA
- Scotiabank Inverlat

About AXTEL

Axtel is a Mexican telecommunications company with a significant growth in the broadband segment, and one of the leading companies in information and communication technologies solutions in the corporate, financial and government sectors. The Company serves all market segments -corporate, financial, government, wholesale and residential with the most robust offering of integrated communications services in Mexico. Its world-class network consists of different access technologies like fiber optic, fixed wireless access, point to point and point to multipoint links, in order to offer solutions tailored to the needs of its customers.

AXTELCPO trades on the Mexican Stock Exchange since 2005. 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 axtel.mx

(1) Reporting entity

Axtel, S.A.B. de C.V. and Subsidiaries (AXTEL and/or The Company) was incorporated in México as a corporation. The corporate address of the Company is Blvd. Díaz Ordaz km 3.33 L-1, Colonia Unidad San Pedro, 66215 San Pedro Garza García, Nuevo León, Mexico.

The Company's consolidated financial statements for the period ended September 30, 2015 and for year ended December 31, 2014, include The Company and subsidiaries (collectively referred as "the Company" and individually as "entities of the Company")

The Company is engaged in operating and/or exploiting a public telecommunication network to provide voice, sound, data, text, and image conducting services, and local, domestic and international long-distance calls and pay-tv services. A concession is required to provide these services and carry out the related activities, (see notes 4 (k)). In June 1996, the Company obtained a concession from the Mexican Federal Government to install, operate and exploit public telecommunication networks for an initial period of thirty years.

(2) Significant events

On October 1, 2015 the Company announced that it has signed a memorandum of understanding with Alfa, S.A.B. de C.V. ("ALFA") and Alestra, S. de R.L de C.V. ("ALESTRA"), ALFA's telecommunications subsidiary, to merge the operations of Axtel and Alestra (the "Transaction"). Under the agreed terms, Axtel will survive as an operating and publicly-traded company and will issue new shares to Alfa representing 51% of the combined entity.

The transaction and their most significant terms and conditions have been approved by the boards of directors of Axtel and ALFA. The closing of the transaction is subject to completion of legal, financial and operational audit, regulatory and corporate approvals and the signing of the definitive agreements. The closing of the transaction is expected later this year or early next.

On May 27, 2015, the Company signed an agreement with Telefonica Mexico in which the parties agreed to terminate disputes relating to interconnection services for the period of 2005 to 2011, also the same day the Company and Telefonica Mexico signed a commercial agreement for telecommunications infrastructure.

On March 18, 2015 the Company signed a transaction agreement with América Móvil, S.A.B. de C.V., ("AMX") and its subsidiary Radiomóvil Dipsa S.A. de C.V. ("Telcel"), in which the parties agreed to terminate disputes relating with interconnection services. As part of the agreement, Axtel and Telcel entered into interconnection agreements for the period 2005-2015. Also Axtel, Telcel and Telefonos de Mexico SAB de C.V. ("Telmex") agreed to the withdrawal of various disputes on interconnection issues.

Derived from this agreement and after settled in favor and against the various amounts that were in dispute and/or unpaid, AXTEL obtain a net profit by 722 million of pesos, which has already been collected. Also, AXTEL signed agreements for marketing or resale of telecommunications services and for access and use of passive infrastructure with Telcel and Telmex, respectively.

Another agreement was also held on the same day, Axtel and Iusacell Group companies ("Iusacell") signed an agreement whereby both parties are terminated disputes relating to interconnection services for 2005-2010. During the agreement, Axtel and Iusacell also signed various trade agreements telecommunications infrastructure for mutual benefit.

On September 17, 2014, The Company completed the reopening of the secured bonds issuance due in 2020 for \$150 million United States dollars (U.S.) priced at 100.25% of the principal amount with interest rate of 8% which will be increase to 9% and due in 2020. Interest is payable semi-annually in February and August of each year.

(3) Basis of preparation

a) Statement of compliance

The unaudited consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The information presented in the unaudited consolidated financial statements of the Company was prepared according to the same accounting policies and methods of calculation as in the annual financial statements for the year ended December 31, 2014.

During the interim period ended September 30, 2015 and the year ended December 31, 2014 there were no corrections of prior period errors and changes in business or economic circumstances that affect the fair value of financial assets and liabilities financial statements of the Company. In addition there were no transactions seasonal or cyclical nature affecting the interim period and comparability.

There were no changes in estimates of amounts reported in prior interim periods of the financial statements.

At the reporting date of these financial statements there are no events after the interim period that have not been reflected in the financial statements for that interim period.

b) Basis of measurement

The information presented in the consolidated financial statements has been prepared on a historical cost basis, except for certain financial instruments which were recorder at fair value and the liability recognized for employee benefit since this is recognized at the present value of the obligation.

c) Functional and presentation currency

These consolidated financial statements are presented in thousands of Mexican pesos, which is the Company's functional currency. All financial information presented in pesos or "Ps.", are thousands of Mexican pesos; likewise, references to dollars or U.S. \$, or USD refer to thousands of dollars of the United States of America and has been rounded to the nearest unit (M\$), unless indicated otherwise.

d) Presentation of the consolidated statement of comprehensive income

The Company has elected to analyze expenses recognized in profit and loss based on functions, as the Company believes that in this way the information presented is reliable and more relevant.

The Company presents the result from operating activities since considers it as a significant performance measurement for users of financial information. Revenues and costs that are of an operational nature are presented in this item.

e) Presentation of the consolidated statement of cash flows

The consolidated statements of cash flows of the Company are presented using the indirect method.

(4) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Transactions eliminated on consolidation

The balances and transactions between the entities of the Company, as well as unrealized income and expenses, have been eliminated in preparing the consolidated financial statements.

b) Foreign currency transactions

Based on IAS 21, *"Effects of changes in foreign currency"* ("IAS 21"), transactions in foreign currencies are converted to the respective functional currencies of the entities of the Company at exchange rates prevailing at the dates of operations. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted back to the functional currency at the exchange rate at that date. The gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency converted at the exchange rate at end of period being reported.

c) Cash and cash equivalents

Cash and cash equivalents consist of short-term investments, highly liquid, readily convertible into cash and are subject to insignificant risk of changes in value, including overnight repurchase agreements and certificates of deposit with an initial term of less than three months.

d) Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the intention is to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified within the following specific categories: "financial assets at fair value with changes through profit or loss" and "accounts receivable and other accounts receivable". The classification depends on the nature and purpose thereof and is determined upon initial recognition.

Financial assets valued at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss if they are acquired to be sold in a short term. Derivative financial instruments are classified at fair value through profit or loss, unless they are designated as hedging instruments. Financial assets classified at fair value through profit or loss is recognized initially at fair value, and subsequently changes in fair value are recognized in income or loss in the consolidated statement of comprehensive income.

Accounts receivable and other accounts receivable

Trade accounts receivable and other accounts receivable with fixed or determinable payments that are not traded on an active market are classified as "Accounts receivable". According to IAS 39, *"Financial Instruments: Recognition and valuation"* ("IAS 39"), concepts within this category have no explicit cost and are recognized at amortized cost, it means, the net present value of accounts receivable at the date of transaction. Due to their short maturity, the Company recognizes initially these accounts at original value less allowance for doubtful accounts. Allowance for doubtful

accounts and impairment of other accounts receivable are recognized in the selling and administrative expenses in Statement of Comprehensive Income. Interest income is recognized applying the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income or financial cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and basis points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount.

Write-off of financial assets

The Company writes off a financial asset solely where the contractual rights over the financial asset cash flows expire or substantially transfers the risks and benefits inherent to the ownership of the financial asset.

e) Impairment of financial instruments

The Company assesses at each financial reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that had a negative impact on the estimated future cash flows that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortized cost

If there is objective evidence of an impairment loss, the amount of the loss is measured as the difference between the book value of the asset and the present value of expected future cash flows (excluding expected future credit losses that have not yet been incurred). The present value of expected future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced through a provision and the amount of the loss is recognized in the consolidated statement of comprehensive income. The loans and the related provisions are written off when there is no realistic possibility of future recovery and all of the collateral guarantees have been realized or transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event that occurs after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the provision account. If a future write-off is later recovered, the recovery is credited to the consolidated interim statement of comprehensive income. If there is objective evidence of impairment in financial assets that are individually significant, or collectively for financial assets that are not individually significant, or if the Company determines there to be no objective evidence of impairment for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and they are collectively evaluated for impairment. Assets that are assessed individually for impairment and for which an impairment loss is or continues to be recognized are not included in the collective evaluation of impairment.

f) Derivative financial instruments

Hedging instruments

The Company recognizes all derivative financial instruments as financial assets and/or liabilities that are assessed at fair value. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. This documentation includes the identification of the derivative financial instrument, the item or transaction being hedged, the nature of the risk to be reduced, and the manner in which its effectiveness to diminish fluctuations in fair value of the primary position or cash flows attributable to the hedged risk will be assessed. The expectation is that the hedge will be highly effective in offsetting changes in fair values or cash flows, which are continually assessed to determine whether they are actually effective throughout the reporting periods to which they have been assigned. Hedges that meet the criteria are recorded as explained in the following paragraphs.

Cash flow hedges

For derivatives that are designated and qualify as cash flow hedges and the effective portion of changes in fair value are recorded as a separate component in stockholders' equity within other comprehensive income and are recorded to the consolidated interim statement of comprehensive income at the settlement date, as part of the sales, cost of sales and financial expenses, as the case may be. The ineffective portion of changes in the fair value of cash flow hedges is recognized in the consolidated statement of comprehensive income of the period.

If the hedging instrument matures or is sold, terminated or exercised without replacement or continuous financing, or if its designation as a hedge is revoked, any cumulative gain or loss recognized directly within other comprehensive income in stockholders' equity from the effective date of the hedge, remains separated from equity until the forecasted transaction occurs when it is recognized in income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss recognized in stockholders' equity is immediately carried to profit and loss. Derivatives designated as hedges that are effective hedging instruments are classified based on the classification of the underlying. The derivative instrument is divided into a short-term portion and a long-term portion only if a reliable assignment can be performed. At September 30, 2015 and December 31, 2014, the Company has no open positions of cash flow hedges.

Embedded derivatives

This type of derivatives is valued at fair value and changes in fair value are recognized in the consolidated statement of comprehensive income.

g) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments that are not traded on an active market, the fair value is determined using appropriate valuation techniques. These techniques may include using recent arm's-length market transactions; reference to the current fair value of another financial instrument that is substantially the same; discounted cash flow analysis or other valuation models.

h) Inventories and cost of sales

Inventories are stated at the lower of historical cost or net realizable value. Cost of sales 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 our leasing of private circuit links.

Net realizable value is the sales price estimated in the ordinary course of operations, less applicable sales expenses.

i) Investments in associates and other equity investments

Investments in associates are those in which significant influence is exercised on their administrative, financial and operating policies.

Such investments are initially valued at acquisition cost, and subsequently, using the equity method, the result thereof is recognized on profit and loss.

Other equity investments in which the Company does not exercise significant influence the investees' capital stock are recorded at cost.

j) Property, systems and equipment

Property, systems and equipment, including capital leases, and their significant components are initially recorded at acquisition cost and are presented net of the accumulated depreciation and amortization and associated impairment losses.

Depreciation

Depreciation is calculated on the amount susceptible to depreciate, corresponding to cost of an asset, or other amount that replaces cost, less the salvage value.

The salvage value of an asset is the estimated amount that an entity would currently obtain from disposal of an item, after deducting the estimated costs of disposal, if the asset were already in the expected condition at the end of its useful life. The Company's practice is to use its assets until they are no longer useful since in the industry in which the Company operates, it is not common to perform equipment sales to competitors.

Depreciation is recognized in profit or loss using the straight-line method according to estimated useful life of each type of asset, since it shows in a better way the expected usage pattern of the future economic benefits included in the assets.

Leased assets are depreciated over the term of the lease agreement or the useful life of the assets, the smaller, unless there is reasonably certain that the Company will acquire ownership of the leased assets at the end of the lease agreement

The estimated average useful lives for the current periods are as follows:

- Building 25 years
- Computer equipment 3 years
- Transportation equipment 4 years
- Furniture and fixtures 10 years
- Network equipment 6 to 28 years

Useful lives and salvage values are reviewed at each year end and adjusted, if necessary.

Subsequent costs

The cost of replacing a component of an item of property, systems and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will inflow to the Company, and the cost can be measured reliably. Maintenance and minor repairs, including the cost of replacing minor items not constituting substantial improvements are expensed as incurred and charged through consolidated profit or loss statement into selling and administrative expenses.

Borrowing costs

Borrowing costs directly related to the acquisition, construction or production of qualifying assets, which constitute assets that require a substantial period until they are ready for use, are added to the cost of such assets during the construction stage and until commencing their operations and/or exploitation. Yields obtained from the temporary investment of funds from specific loans to be used in qualifying assets are deducted from costs for loans subject to capitalization. All other borrowing costs are recognized in profits and losses during the period in which they were incurred.

k) Intangibles assets

The amounts expensed for intangible assets are capitalized when the future economic benefits derived from such investments, can be reliably measured. According to their nature, intangible assets are classified with determinable and indefinite lives. Intangible assets with determinable lives are amortized using the straight-line method during the period in which the economic benefits are expected to be obtained. Intangible assets with an indefinite life are not amortized, as it is not feasible to determine the period in which such benefits will be materialized; however, they are subject to annual impairment tests. As of September 30, 2015 and December 31, 2014, respectively, the Company had no intangible assets with an indefinite life registered in accounting. The price paid in a business combination assigned to intangible assets is determined according to their fair value using the purchase method of accounting. Research and development expenses for new products are recognized in results as incurred.

Telephone concession rights are included in intangible assets and amortized over a period of 20 to 30 years (the initial term of the concession rights).

Intangible assets also include infrastructure costs paid to Telmex / Telnor.

l) Impairment of non-financial assets

The Company reviews the carrying amounts of tangible and intangible assets in order to determine whether there are indicators of impairment. If there is an indicator, the asset recoverable amount is calculated in order to determine, if applicable, the impairment loss. The Company undertakes impairment tests considering asset groups that constitute a cash-generating unit (CGU).

The recoverable amount is the higher of fair value less its disposal cost and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market conditions and specific risks to each asset or the CGU.

If the recoverable amount of a CGU is estimated to be less than its carrying amount, the unit's carrying amount is reduced to its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

When an impairment loss is subsequently reversed, the CGU's carrying amount increases its estimated revised value, such that the increased carrying amount does not exceed the carrying amount that would have been determined if an impairment loss for such CGU had not been recognized in prior years.

m) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and financial debt, or derivatives designated as hedging instruments in effective hedges, as the case may be. The Company determines the classification of its financial liabilities at the time of their initial recognition. All financial liabilities are initially recognized at their fair value and, for loans and financial debt, fair value includes directly attributable transaction costs.

Financial liabilities include accounts payable to suppliers and other accounts payable, debt and derivative financial instruments.

Financial assets and liabilities are offset and the net amount is shown in the consolidated statement of financial position if, and only if, (i) there is currently a legally enforceable right to offset the recognized amounts; and (ii) the intention is to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Subsequent recognition of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value with changes to profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities for trading purposes, and financial liabilities measured upon initial recognition at fair value through profit or loss.

This category includes derivative financial instruments traded by the Company and that have not been designated as hedging instruments in hedging relationships.

Separate embedded derivatives are also classified for trading purposes, except they are designated as effective hedging instruments.

Profits or losses on liabilities held for trading purposes are recognized in the consolidated statement of comprehensive income.

The Company has not designated any financial liability upon initial recognition at fair value through profit or loss. The derivative financial instruments that cannot be designated as hedges are recognized at fair value with changes in profit and loss.

Financial debt and interest bearing loans

After their initial recognition, loans and borrowings that bear interest are subsequently measured at their amortized cost using the effective interest rate method. Gains and losses are recognized in profit and loss at the time they are derecognized, as well as through the effective interest rate amortization process.

The amortized cost is computed by taking into consideration any discount or premium on acquisition and the fees and costs that are integral part of the effective interest rate. Effective interest rate amortization is included as part interest expense in the consolidated statement of comprehensive income.

A financial liability is derecognized when the obligation is met, cancelled or expires.

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that Company settles an obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimates to settle the present obligation at the end of the period, bearing into account the risks and uncertainties inherent thereto. When a provision is assessed using estimated cash flows to settle the present obligation, its book value represents the present value of such cash flows (when the effect in the time value of money is significant).

o) Employee benefits

Short-term employee benefits

Employee remuneration liabilities are recognized in the consolidated statement of comprehensive income on services rendered according to the salaries and wages that the entity expects to pay at the date of the consolidated statement of financial position, including related contributions payable by the Company. Absences paid for vacations and vacation premiums are recognized in the consolidated statement of comprehensive income insofar as the employees render the services that allow them to enjoy such vacations.

Seniority premiums granted to employees

In accordance with Mexican labor law, the Company provides seniority premium benefits to employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days' wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

Costs associated with these benefits are provided for based on actuarial computations using the projected unit credit method.

Termination benefits

The Company provides statutorily mandated termination benefits to employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days' wages for each year of service payable upon involuntary termination without just cause.

Termination benefits are recognized when the Company decides to dismiss an employee or when such employee accepts an offer of termination benefits.

p) Statutory employee profit sharing

According to Mexican labor law, the Company must distribute the equivalent of 10% of the annual taxable income as employee statutory profit sharing in those legal entities with employees. This amount is recognized in the consolidated statement of comprehensive income within the selling and administrative expenses.

q) Income taxes

The income tax includes current and deferred tax. The current and deferred tax are recognized in profit or loss, except that it relates to a business combination, or items recognized directly in equity or in other comprehensive income or loss.

The current tax comprises the expected tax payable or receivable. The income tax for the year is determined according to legal and taxation requirements for companies in Mexico, using tax rates enacted at the reporting date, and any adjustment to tax payable regarding of previous years for each of the legal entities of the Company.

The deferred tax is registered under the asset and liability method, which compares book and tax values of assets and liabilities of the Company, and deferred taxes (assets or liabilities) derived from the differences between those values are recognized. Taxes are not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction other than a business combination and does not affect the accounting or tax result, and differences relating to investments in subsidiaries and joint ventures to the extent that is probably not reverse in the foreseeable future. Additionally, no deferred taxes are recognized for taxable temporary differences arising from the initial recognition of goodwill. Deferred taxes are calculated using rates that are expected to apply to temporary differences when they are reverted, based on enacted laws at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets and liabilities, and correspond to income taxes imposed by the same tax authority and for the same tax entity, or on different tax entities, but they intend to settle tax assets and liabilities on a net basis, or their tax assets and liabilities are realized simultaneously.

A deferred tax asset for tax loss carryforwards, tax credits and deductible temporary differences are recognized to the extent that it becomes probable that taxable future profits will be available to be applied against. Deferred tax assets are reviewed at the reporting date and are reduced to the extent that realization of the related tax benefit is no longer probable.

r) Revenue recognition

The Company's revenues are recognized when earned, as follows:

- *Telephony Services* – Customers are charged a flat monthly fee for basic service, a per-call fee for local calls, a per-minute usage fee for calls completed on a cellular line and domestic and international long distance calls, and a monthly fee for value-added services, according to the individual offer of each client.
- *Activation* – At the moment of installing the service when the customer has a contract with indefinite life; otherwise is recognized over the average contract life.
- *Equipment* – At the moment of selling the equipment and when the customer acquires the property of the equipment and assumed all risks.
- *Integrated services* – At the moment when the client receives the service.
- *Income from interconnection* – Based on the traffic of minutes and generated by approved rates by Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones* or "IFETEL") or private agreements.

s) Earnings per share

Net earnings per share result from dividing the net earnings for the year by the weighted average of outstanding shares during the fiscal year. To determine the weighted average of the outstanding shares, the shares repurchased by the Company are excluded.

t) Segments

Management evaluates the Company's operations as two revenue streams (mass market and business market), however it is not possible to attribute direct or indirect costs to the individual streams other than selling expenses and as a result has determined that it has only one operating segment.

(5) Critical accounting judgments and key uncertainty sources in estimates

In applying accounting policies, the Company's management use judgments, estimates and assumptions on certain amounts of assets and liabilities in the consolidated financial statements. Actual results may differ from such estimates.

Underlying estimates and assumptions are reviewed regularly. Accounting estimates changes are prospectively recognized.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts in the consolidated financial statements is included in the following notes:

- a) Useful lives of property, systems, and equipment - The Company reviews the estimated useful life of property, systems and equipment at the end of each annual period. The degree of uncertainty related to the estimated useful lives is related to the changes in market and the use of assets for production volumes and technological development.
- b) Impairment of non-financial assets - When testing assets for impairment, the Company requires estimating the value in use assigned to property, systems and equipment, and cash generating units. The calculation of value in use requires the Company to determine future cash flows generated by cash generating units and an appropriate discount rate to calculate the present value thereof. The Company uses cash inflow projections using estimated market conditions, determination of future prices of products and volumes of production and sale. Similarly, for discount rate and perpetuity growth purposes, the Company uses market risk premium indicators and long-term growth expectations of markets where the Company operates.
- c) Allowance for doubtful accounts - The Company uses estimates to determine the allowance for doubtful accounts. The factors that the Company considers to estimate doubtful accounts are mainly the customer's financial situation risk, unsecured accounts, and considerable delays in collection according to the credit limits established.
- d) Contingencies - The Company is subject to contingent transactions or events on which it uses professional judgment in the development of estimates of occurrence probability. The factors considered in these estimates are the current legal situation as of the date of the estimate, and the external legal advisors' opinion.
- e) Deferred tax assets - Deferred tax assets are recognized for the tax loss carryforwards to the extent management believes it is recoverable through the generation of future taxable income to which it can be applied.
- f) Financial instruments recognized at fair value - In cases where fair value of financial assets and liabilities recorded in the consolidated financial statement do not arise from active markets, their fair values are determined using assessment techniques, including the discounted cash flows model. Where possible, the data for these models are supplied from observable markets, otherwise a degree of discretionary judgment is required to determine fair values. These judgments include data such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors may affect the amounts of fair values advised for financial instruments.
- g) Leases - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(6) Property, systems and equipment

Property, systems and equipment are as follows:

		Land and Building	Computer and electronic equipment	Transportation equipment	Furniture and fixtures	Network equipment	Leasehold improvements	Construction in progress	Total
Balance as of January 1, 2014	Ps	430,990	3,382,097	387,713	241,069	32,417,894	429,612	858,696	38,148,071
Additions		-	152,125	4,465	6	458,514	-	2,548,101	3,163,211
Transfer of completed projects in progress		-	161,252	4,723	16,632	2,212,733	583	(2,395,923)	-
Disposals		-	(2,131)	(20,900)	(55)	(18,231)	-	-	(41,317)
Balance as of December 31, 2014		430,990	3,693,343	376,001	257,652	35,070,910	430,195	1,010,874	41,269,965
Additions		-	-	2,025	5	766,058	-	1,577,785	2,345,873
Transfer of completed projects in progress		-	56,138	19,656	2,992	1,319,276	21,614	(1,419,676)	-
Disposals		-	(7,195)	(20,645)	(169)	(27,991)	-	(813)	(56,813)
Balance as of September 30, 2015	Ps	430,990	3,742,286	377,037	260,480	37,128,253	451,809	1,168,170	43,559,025

Depreciation and impairment		Land and Building	Computer and electronic equipment	Transportati on equipment	Furniture and fixtures	Network equipment	Leasehold improvements	Construction in progress	Total
Balance as of January 1, 2014	Ps	136,084	1,359,352	321,494	178,269	22,637,701	327,984	-	24,960,884
Depreciation of the year		14,284	126,316	45,036	17,577	3,152,790	24,963	-	3,380,966
Disposals		-	(2,053)	(20,115)	(30)	(11,230)	-	-	(33,428)
Balance as of December 31, 2014		150,368	1,483,615	346,415	195,816	25,779,261	352,947	-	28,308,422
Depreciation of the year		10,718	94,691	12,894	11,526	1,788,731	15,827	-	1,934,384
Disposals		-	(7,134)	(20,416)	(118)	(13,477)	-	-	(41,145)
Balance as of September 30, 2015	Ps	161,083	1,571,172	338,893	207,224	27,554,515	368,774	-	30,201,661
Property, systems and equipment, net at December 31, 2014	Ps	280,622	2,209,728	29,586	61,836	9,291,649	77,248	1,010,874	12,961,543
Property, systems and equipment, net at September 30, 2015	Ps	269,907	2,171,114	38,144	53,256	9,573,738	83,035	1,168,170	13,357,364

Construction in progress mainly includes network equipment, and capitalization period is approximately six months.

(7) Transactions and balances with related parties

The transactions with related parties during the period ended September 30, 2015 and 2014 are as follows:

		<u>2015</u>	<u>2014</u>
Banamex:			
Telecommunication service revenues	Ps	517,686	286,897
Interest expense		<u>9,222</u>	<u>4,746</u>

The balances with related parties as of September 30, 2015 and December 31, 2014, included in accounts payable are as follows:

	<u>2015</u>	<u>2014</u>
Deferred revenues short-term:		
Banco Nacional de México, S.A. ⁽¹⁾	Ps <u>457,990</u>	<u>460,526</u>
Deferred revenues long-term:		
Banco Nacional de México, S.A. ⁽¹⁾	Ps <u>33,900</u>	<u>33,900</u>

⁽¹⁾ Derived from transactions related to master services agreement signed between the Company and Banamex, the Company provides telecommunications services (including, local, long distance and other services) to Banamex and its affiliates located in Mexico.

(8) Stockholders' equity

The main characteristics of stockholders' equity are described below:

(a) Capital stock structure

As of September 30, 2015, the common stock of the Company is Ps. 6,799,820. The Company has 9,275,573,973 shares issued and outstanding. Company's shares are divided in two classes, Class "I" which represent the fixed minimum portion of the capital stock, and Class "II" which represent the variable portion of the capital stock. The shares that belong to both Class "I" and Class "II" provide the holders the same economic and corporate rights (with the only difference of those rights that may be conferred under applicable law to holders of shares that form part of the variable portion of a *Sociedad Anónima Bursátil de Capital Variable*). Each of the Classes have two Series: Series "A" and "B"; both Series are indistinct and provide the same corporate and economic rights to its holders. All of the shares issued by the Company have no par value. Of the total shares issued and outstanding, 97,750,656 are Class "I" Series A and 9,177,823,317 are Class "I" Series B. As of September 30, 2015 the Company has not issued any Class "II" shares (neither Series "A" nor Series "B"). As of this date, significantly all of the Series "B" Shares issued by the Company are deposited in a trust (the "CPOs Trust").

In connection with the issuance of the convertible bond into shares held on January 31, 2013, and in accordance with the resolutions adopted at the Extraordinary General Meeting of Shareholders on January 25, 2013, the Company issued 972,814,143 Series B shares Class "I" that will be kept in the treasury of the Company, to be subsequently subscribed by the conversion of convertible bonds.

During 2014 and 2013 the conversion option was exercised for a total of 291,767,672 and 5,724,950 Series B shares, respectively, representing an increase of Ps 100,452 and Ps 1,970 in the capital stock of the Company.

During the third quarter of 2015 the conversion option was exercised for a total of 55,259,701 Series B shares representing an increase of Ps 19,025 in the capital stock of the Company.

During the second quarter of 2015 the conversion option was exercised for a total of 47,995,647 Series B shares representing an increase of Ps 16,524 in the capital stock of the Company.

During the first quarter of 2015 the conversion option was exercised for a total of 104,358,751 Series B shares representing an increase of Ps 35,929 in the capital stock of the Company.

(9) Commitments and contingencies

As of September 30, 2015, the Company has the following commitments and contingencies:

- (a) Interconnection Disagreements – Mobile Carriers – Years 2005 to 2011. In March and May 2015, Axtel signed transaction agreements with Telcel, Iusacell and Telefónica, respectively, in which the parties agreed to terminate disputes related with interconnection services, giving as liquidated and totally paid all amounts in dispute and/or still due for years 2005, 2006, 2007, 2008, 2009, 2010 and 2011. Therefore, there is no longer a contingency for that period, except in the case of Iusacell, in which case the agreement covers the contingencies between the parties until the year 2010.
- (b) Interconnection Disagreements – Telmex – Years 2009 to 2013. In March 2009, the Cofetel resolved an interconnection disagreement proceeding existing between the Company (Axtel) and Teléfonos de México, S.A.B. de C.V. (“Telmex”) related to the rates applicable for the termination of long distance calls from the Company to Telmex with respect to year 2009. In such administrative resolution, the Cofetel approved a reduction in the rates for termination of long distance calls applicable to those cities where Telmex does not have interconnection access points. These rates were reduced from Ps. 0.75 per minute to US\$0.0105 or US\$0.0080 per minute (depending on the place where the Company delivers the long distance call).

Until June 2010 Telmex billed the Company for the termination of long distance calls, applying the rates that were applicable prior to the aforementioned resolutions, and after such date, Telmex has billed the resulting amounts, applying the new interconnection rates. As of March 31, 2015, the difference between the amounts paid by the Company to Telmex according to the new rates, and the amounts billed by Telmex, amount to approximately to Ps.1,240 million, not including value added tax.

Notwithstanding the foregoing, on March 8, 2013, Alestra S. de R.L. obtained a favorable resolution of the Thirteenth Collegiate Court in Administrative Matters of the First Circuit against Telmex, establishing interconnection rates for long distance termination for year 2009, resulting in better tariffs than those offered by Telmex to Axtel in its interconnection agreement. Consequently, and considering that in the interconnection service agreement celebrated by Axtel and Telmex, the Parties settled the obligation for Telmex to offer better conditions to the service provider when a final resolution or sentence from a Court or a competent authority has set interconnection tariffs which results in better conditions than the ones agreed by the Parties in the interconnection service agreement, additionally, the Parties also agreed that the new tariffs offering better conditions for the service provider shall be immediately applicable. Thus, the contingency established in the paragraph above, would be reduced by an estimate of Ps.772 million, resulting in an estimated amount of Ps.467 million.

Telmex filed for the annulment of the proceeding before the Federal Court of Tax and Administrative Justice (Tribunal Federal de Justicia Fiscal y Administrativa) requesting the annulment of Cofetel’s administrative resolution. The Company (Axtel and Avantel) has a contingency in case the Federal Tax and Administrative Court rules against the Company, and as a result, establishes rates different from those set forth by Cofetel.

In April 9, 2014, the Upper Chamber of the Federal Court of Tax and Administrative Justice (*Sala Superior del Tribunal Federal de Justicia Fiscal y Administrativa*), ruled on the annulment trial started by Telmex, in which the validity of the administrative resolution that was being disputed was confirmed in favor of Axtel.

Telmex filed an *amparo directo* suit, against the ruling issued within the annulment trial, which was resolved by the First Federal Collegiate District Court in Administrative Matters Specialized in Unfair Competition, Broadcasting and Telecommunications (Primer Tribunal Colegiado de Circuito en Materia Administrativa Especializado en Competencia Económica, Radiodifusión y Telecomunicaciones), to the effect that the Federal Court of Fiscal and Administrative Justice issue a resolution duly founded and motivated, according with the studies of the forensic evidence.

Likewise, Telmex filed a *Recurso de Revisión en Amparo Directo* before the Supreme Court of Justice, which is yet to be resolved. By means of that Resource, Telmex claims some unconstitutional issues that were not studied by the First Circuit Court in Administrative Matters Specialized in Unfair Competition, Broadcasting and Telecommunications, in the appeal for review, in which it was ruled that the Federal Court of Fiscal and Administrative Justice shall issue a new resolution duly founded and motivated.

In January 2010, Cofetel resolved an interconnection disagreement proceeding existing between the Company (Avantel) and Telmex related to the rates for the termination of long distance calls from the Company to Telmex with respect to year 2009. In such administrative resolution, Cofetel approved a reduction in the rates for termination of long distance calls applicable to those cities where Telmex does not have interconnection access points. These rates were reduced from \$0.75 per minute to US\$0.0126, US\$0.0105 or US\$0.0080 per minute, depending on the place where the Company delivers the long distance traffic. Based on this resolution, the Company paid approximately \$20 million in excess. Telmex challenged the resolution before the Federal Court of Tax and Administrative Justice, and such proceeding in the evidence stage.

On May 2011, Cofetel issued a ruling resolving an interconnection disagreement proceeding between Telmex and the Company, related to the tariff applicable to the termination of long distance calls from the Company to Telmex, for the year 2011. In such administrative resolution, Cofetel approved a reduction of the tariffs applicable for the termination of long distance calls. The above mentioned tariffs were reduced from US\$0.0126, US\$0.0105 or US\$0.0080 per minute, to Ps.0.04530 and Ps.0.03951 per minute, depending on the place in which the Company is to deliver the long distance traffic. Telmex challenged this ruling before the SCT, but the request was dismissed by such authority. Nowadays, Telmex challenged such dismissal, before the Federal Court of Tax and Administrative Justice, and such proceeding pending for resolution.

Finally, in July 2013, Cofetel ruled on an administrative review proceeding between Telmex and the Company in connection with the tariffs applicable to the termination of long distance calls from the Company to Telmex for the years 2012, 2013 and 2014. In such administrative resolution, Cofetel determined for the year 2012, tariffs per minute ranging from Ps.0.02831 to Ps.0.01007, depending if it is a regional or national node; for year 2013, tariffs ranging from \$0.02780 to \$0.00968, depending if it is a regional or national node; and for year 2014, tariffs that go from \$0.02838 to \$0.00968 pesos, depending if it is a regional or national node. Telmex challenged this resolution in a *Juicio de Amparo* trial which was solved, at first stage, dismissing the *Amparo* trial and denying the protection of the Federal Justice to Telmex.

Therefore, Telmex has challenged the first instance judgment, which is pending resolution by the Second Federal Collegiate District Court in Administrative Matters Specialized in Unfair Competition, Broadcasting and Telecommunications (*Segundo Tribunal Colegiado de Circuito en Materia Administrativa Especializado en Competencia Económica, Radiodifusión y Telecomunicaciones*).

At the date of issuance of the financial statements, the Company believes that the rates determined by Cofetel in the resolutions will prevail, and therefore it has recognized the cost, based on the rates approved by Cofetel.

As of December 31, 2009, there was a letter of credit for U.S. \$ 34 million issued by Banamex in favor of Telmex for the purpose of guaranteeing the Company's obligations, which were acquired through several interconnection agreements. The amounts under the letter of credit were drawn by Telmex in the month of January 2010, claiming that Avantel had debts with such company. At the date of issuance of the financial statements, Avantel has been able to recover the entire amount mentioned above, through compensation with regard to certain charges for services rendered by Telmex to Avantel on a monthly basis.

- (c) Interconnection Disagreements – Grupo Iusacell – Years 2012-2013. In October 2014, IFETEL solved an interconnection disagreement between Grupo Iusacell and the Company (Axtel/Avantel), related to interconnection tariffs for termination services switched to mobile users under the modalities "calling party pays" and "nationwide calling party pays" for the period 2012-2013. In that resolution IFETEL determined tariffs per minute of \$0.3214 pesos for 2012 and \$0.3144 pesos for 2013.

This ruling was challenged by Grupo Iusacell and is pending before the First District Court in Administrative Matters Specialized in Unfair Competition, Broadcasting and Telecommunications (*Juzgado Primero de Distrito en Materia Administrativa Especializado en Competencia Económica, Radiodifusión y Telecomunicaciones*).

At the date of issuance of the financial statements, the Company believes that the rates determined by the IFETEL in the resolutions will prevail, and therefore it has recognized the cost, based on these rates.

- (d) Interconnection Disagreement. Rates for 2015 - Grupo Iusacell, Grupo Telefónica, and Nextel. In June 2015, IFT resolved disagreements of interconnection to Iusacell, Telefónica and NII Nigital S. de R.L. de C.V with Axtel setting interconnection tariffs for local services in mobile users and termination in fixed users for 2015, of \$0.2505 for mobile and \$0.004179 for fixed landline.

These resolutions were challenged by mobile operators and by Axtel in a Juicio de Amparo, trial which is pending for resolution. At the date of issuance of the financial statements, the Company believes that the rates determined by the IFETEL in the resolutions will prevail, and therefore it has recognized the cost, based on these rates.

- (e) Interconnection Disagreement. Rates 2015-2016 - Radio Mobile Dipsa. In August 2015, IFT fixed the interconnection rates which Radio Mobile Dipsa, S.A. de C.V shall pay to Axtel for fixed landline termination, for \$0.004179 by 2015 and \$0.003088 for 2016.

This resolution were challenged by Dipsa Mobile Radio in a Juicio de Amparo, trial which is pending for resolution in the first instance. At the date of issuance of the financial statements, the Company believes that the rates determined by the IFETEL in the resolutions will prevail, and therefore it has recognized the cost, based on these rates.

- (f) The Company is involved in a number of lawsuits and claims arising in the normal course of business.

- (g) On July 14, 2014, the new Federal Telecommunications and Broadcasting Law (the "LFTyR") was published in Mexico's Official Gazette (*Diario Oficial de la Federación*), which came into effect on August 13, 2014. In terms of the LFTyR, and since being in force, the previous Federal Telecommunications Law and the Federal Radio and Television Law ceased to be effective, and likewise, it was also thereby provided that all regulations and administrative provisions in such matter which were previously issued, will remain in full force and effect except when opposing the new LFTyR. In accordance with the new LFTyR, new legal obligations were established for the Company in the field of telecommunications, including the following obligations with respect to:

(a) New rights applicable to users in general, as well as for users with disabilities.

(b) Collaboration with the Justice.

(c) Registration and reporting activities in connection with active and passive infrastructure, of installation and operation of the public telecommunications network, including the obligation to avoid charges for domestic long distance calls since January 1, 2015, in the field of advertising, and of neutrality of networks in connection with its service of internet access.

Some of these obligations are pending the issuance of the applicable regulations, or that certain deadline is met or that the Company is in the situation prescribed by the applicable law.

The company took the required actions and controls in order to be in compliance with all the obligations that arose when the LFTyR came into force and became effective, and is carrying out the necessary actions in order to comply with the new obligations that are still pending on the issuance of the applicable secondary regulation and/or of the fulfillment of the applicable deadlines.