

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2013 AND 31 DECEMBER 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

| REF | ACCOUNT / SUBACCOUNT | ENDING CURRENT | PREVIOUS YEAR END |
|-----------------|--|-------------------|-------------------|
| | | Amount | Amount |
| 10000000 | TOTAL ASSETS | 18,921,348 | 20,500,331 |
| 11000000 | TOTAL CURRENT ASSETS | 4,201,478 | 3,953,722 |
| 11010000 | CASH AND CASH EQUIVALENTS | 632,994 | 597,201 |
| 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 | 2,967,601 | 2,406,764 |
| 11030010 | TRADE RECEIVABLES | 5,318,843 | 4,614,301 |
| 11030020 | ALLOWANCE FOR DOUBTFUL ACCOUNTS | -2,351,242 | -2,207,537 |
| 11040000 | OTHER RECEIVABLES, NET | 272,966 | 243,217 |
| 11040010 | OTHER RECEIVABLES | 272,966 | 243,217 |
| 11040020 | ALLOWANCE FOR DOUBTFUL ACCOUNTS | 0 | 0 |
| 11050000 | INVENTORIES | 90,771 | 105,471 |
| 11051000 | BIOLOGICAL CURRENT ASSETS | 0 | 0 |
| 11060000 | OTHER CURRENT ASSETS | 237,146 | 601,069 |
| 11060010 | PREPAYMENTS | 115,911 | 52,188 |
| 11060020 | DERIVATIVE FINANCIAL INSTRUMENTS | 0 | 0 |
| 11060030 | ASSETS AVAILABLE FOR SALE | 0 | 460,462 |
| 11060040 | DISCONTINUED OPERATIONS | 0 | 0 |
| 11060050 | RIGHTS AND LICENSES | 0 | 0 |
| 11060060 | OTHER | 121,235 | 88,419 |
| 12000000 | TOTAL NON-CURRENT ASSETS | 14,719,870 | 16,546,609 |
| 12010000 | ACCOUNTS RECEIVABLE, NET | 360,145 | 15,470 |
| 12020000 | INVESTMENTS | 9,585 | 9,647 |
| 12020010 | INVESTMENTS IN ASSOCIATES AND JOINT VENTURES | 9,585 | 9,647 |
| 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 | 12,908,798 | 13,997,994 |
| 12030010 | LAND AND BUILDINGS | 430,990 | 430,990 |
| 12030020 | MACHINERY AND INDUSTRIAL EQUIPMENT | 31,251,648 | 29,602,272 |
| 12030030 | OTHER EQUIPMENT | 4,394,610 | 4,329,151 |
| 12030040 | ACCUMULATED DEPRECIATION | -24,164,448 | -21,654,810 |
| 12030050 | CONSTRUCTION IN PROGRESS | 995,998 | 1,290,391 |
| 12040000 | INVESTMENT PROPERTY | 0 | 0 |
| 12050000 | BIOLOGICAL NON- CURRENT ASSETS | 0 | 0 |
| 12060000 | INTANGIBLE ASSETS,NET | 236,407 | 288,622 |
| 12060010 | GOODWILL | 0 | 0 |
| 12060020 | TRADEMARKS | 0 | 0 |
| 12060030 | RIGHTS AND LICENSES | 0 | 0 |
| 12060031 | CONCESSIONS | 194,432 | 224,676 |
| 12060040 | OTHER INTANGIBLE ASSETS | 41,975 | 63,946 |
| 12070000 | DEFERRED TAX ASSETS | 1,066,013 | 2,081,718 |
| 12080000 | OTHER NON-CURRENT ASSETS | 138,922 | 153,158 |
| 12080001 | PREPAYMENTS | 79,277 | 85,291 |
| 12080010 | DERIVATIVE FINANCIAL INSTRUMENTS | 0 | 0 |
| 12080020 | EMPLOYEE BENEFITS | 0 | 0 |
| 12080021 | AVAILABLE FOR SALE ASSETS | 0 | 0 |
| 12080030 | DISCONTINUED OPERATIONS | 0 | 0 |
| 12080040 | DEFERRED CHARGES | 0 | 0 |
| 12080050 | OTHER | 59,645 | 67,867 |
| 20000000 | TOTAL LIABILITIES | 11,125,943 | 15,412,057 |
| 21000000 | TOTAL CURRENT LIABILITIES | 3,526,156 | 4,294,526 |
| 21010000 | BANK LOANS | 0 | 117,547 |
| 21020000 | STOCK MARKET LOANS | 0 | 0 |
| 21030000 | OTHER LIABILITIES WITH COST | 272,415 | 294,422 |
| 21040000 | TRADE PAYABLES | 2,172,725 | 2,404,471 |
| 21050000 | TAXES PAYABLE | 323,590 | 135,703 |
| 21050010 | INCOME TAX PAYABLE | 323,590 | 135,703 |

MEXICAN STOCK EXCHANGE

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QUARTER: **03** YEAR: **2013**

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

STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2013 AND 31 DECEMBER 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

| REF | ACCOUNT / SUBACCOUNT | ENDING CURRENT | PREVIOUS YEAR END |
|-----------------|--|------------------|-------------------|
| | | Amount | Amount |
| 21050020 | OTHER TAXES PAYABLE | 0 | 0 |
| 21060000 | OTHER CURRENT LIABILITIES | 757,426 | 1,342,383 |
| 21060010 | INTEREST PAYABLE | 105,870 | 276,043 |
| 21060020 | DERIVATIVE FINANCIAL INSTRUMENTS | 0 | 46,532 |
| 21060030 | DEFERRED REVENUE | 505,283 | 631,298 |
| 21060050 | EMPLOYEE BENEFITS | 0 | 0 |
| 21060060 | PROVISIONS | 0 | 281,808 |
| 21060061 | CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS | 0 | 0 |
| 21060070 | DISCONTINUED OPERATIONS | 0 | 0 |
| 21060080 | OTHER | 146,273 | 106,702 |
| 22000000 | TOTAL NON-CURRENT LIABILITIES | 7,599,787 | 11,117,531 |
| 22010000 | BANK LOANS | 0 | 940,378 |
| 22020000 | STOCK MARKET LOANS | 7,005,694 | 9,952,727 |
| 22030000 | OTHER LIABILITIES WITH COST | 186,513 | 161,540 |
| 22040000 | DEFERRED TAX LIABILITIES | 0 | 0 |
| 22050000 | OTHER NON-CURRENT LIABILITIES | 407,580 | 62,886 |
| 22050010 | DERIVATIVE FINANCIAL INSTRUMENTS | 0 | 0 |
| 22050020 | DEFERRED REVENUE | 33,900 | 33,900 |
| 22050040 | EMPLOYEE BENEFITS | 21,025 | 19,452 |
| 22050050 | PROVISIONS | 0 | 0 |
| 22050051 | NON-CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS | 0 | 0 |
| 22050060 | DISCONTINUED OPERATIONS | 0 | 0 |
| 22050070 | OTHER | 352,655 | 9,534 |
| 30000000 | TOTAL EQUITY | 7,795,405 | 5,088,274 |
| 30010000 | EQUITY ATTRIBUTABLE TO OWNERS OF PARENT | 7,795,405 | 5,088,274 |
| 30030000 | CAPITAL STOCK | 6,625,919 | 6,625,536 |
| 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) | 524,776 | -2,152,621 |
| 30080010 | LEGAL RESERVE | 0 | 0 |
| 30080020 | OTHER RESERVES | 162,334 | 162,334 |
| 30080030 | RETAINED EARNINGS | -2,314,955 | -1,606,086 |
| 30080040 | NET INCOME FOR THE PERIOD | 2,677,397 | -708,869 |
| 30080050 | OTHERS | 0 | 0 |
| 30090000 | ACCUMULATED OTHER COMPREHENSIVE INCOME (NET OF TAX) | 0 | -29,351 |
| 30090010 | GAIN ON REVALUATION OF PROPERTIES | 0 | 0 |
| 30090020 | ACTUARIAL GAINS (LOSSES) FROM LABOR OBLIGATIONS | 0 | 0 |
| 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 | -29,351 |
| 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

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QUARTER: **03** YEAR: **2013**

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

STATEMENT OF FINANCIAL POSITION INFORMATIONAL DATA

AT 30 SEPTEMBER 2013 AND 31 DECEMBER 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

| REF | CONCEPTS | ENDING CURRENT | PREVIOUS YEAR END |
|----------|---|----------------|-------------------|
| | | Amount | Amount |
| 91000010 | SHORT-TERM FOREIGN CURRENCY LIABILITIES | 936,988 | 1,624,996 |
| 91000020 | LONG TERM FOREIGN CURRENCY LIABILITIES | 7,082,751 | 10,639,204 |
| 91000030 | CAPITAL STOCK (NOMINAL) | 6,625,919 | 6,625,536 |
| 91000040 | RESTATEMENT OF CAPITAL STOCK | 0 | 0 |
| 91000050 | PLAN ASSETS FOR PENSIONS AND SENIORITY PREMIUMS | 0 | 0 |
| 91000060 | NUMBER OF EXECUTIVES (*) | 178 | 185 |
| 91000070 | NUMBER OF EMPLOYEES (*) | 5,206 | 5,257 |
| 91000080 | NUMBER OF WORKERS (*) | 1,306 | 1,081 |
| 91000090 | OUTSTANDING SHARES (*) | 8,770,467,252 | 8,769,353,223 |
| 91000100 | REPURCHASED SHARES (*) | 0 | 0 |
| 91000110 | RESTRICTED CASH (1) | 0 | 10,709 |
| 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: **2013**

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

STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED

FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER, 2013 AND 2012

(Thousand Pesos)

Final Printing

| REF | ACCOUNT / SUBACCOUNT | CURRENT YEAR | | PREVIOUS YEAR | |
|-----------------|--|------------------|------------------|------------------|------------------|
| | | ACCUMULATED | QUARTER | ACCUMULATED | QUARTER |
| 40010000 | REVENUE | 7,298,783 | 2,630,210 | 7,772,010 | 2,581,419 |
| 40010010 | SERVICES | 7,298,783 | 2,630,210 | 7,772,010 | 2,581,419 |
| 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 | 1,935,862 | 773,094 | 2,185,498 | 740,817 |
| 40021000 | GROSS PROFIT | 5,362,921 | 1,857,116 | 5,586,512 | 1,840,602 |
| 40030000 | GENERAL EXPENSES | 5,643,612 | 1,905,761 | 5,697,398 | 1,904,723 |
| 40040000 | PROFIT (LOSS) BEFORE OTHER INCOME (EXPENSE), NET | -280,691 | -48,645 | -110,886 | -64,121 |
| 40050000 | OTHER INCOME (EXPENSE), NET | 3,067,025 | -13,010 | -9,176 | -1,887 |
| 40060000 | OPERATING PROFIT (LOSS) (*) | 2,786,334 | -61,655 | -120,062 | -66,008 |
| 40070000 | FINANCE INCOME | 1,633,083 | 95,794 | 895,267 | 624,348 |
| 40070010 | INTEREST INCOME | 12,214 | 4,525 | 17,162 | 5,451 |
| 40070020 | GAIN ON FOREIGN EXCHANGE, NET | 80,686 | 91,269 | 878,105 | 612,516 |
| 40070030 | GAIN ON DERIVATIVES, NET | 0 | 0 | 0 | 6,381 |
| 40070040 | GAIN ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS | 0 | 0 | 0 | 0 |
| 40070050 | OTHER FINANCE INCOME | 1,540,183 | 0 | 0 | 0 |
| 40080000 | FINANCE COSTS | 705,981 | 192,398 | 883,471 | 242,330 |
| 40080010 | INTEREST EXPENSE | 669,024 | 174,283 | 782,782 | 242,330 |
| 40080020 | LOSS ON FOREIGN EXCHANGE, NET | 0 | 0 | 0 | 0 |
| 40080030 | LOSS ON DERIVATIVES, NET | 0 | 0 | 0 | 0 |
| 40080050 | LOSS ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS | 36,957 | 14,888 | 100,689 | 0 |
| 40080060 | OTHER FINANCE COSTS | 0 | 3,227 | 0 | 0 |
| 40090000 | FINANCE INCOME (COSTS), NET | 927,102 | -96,604 | 11,796 | 382,018 |
| 40100000 | SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES | -62 | -2 | -16 | 0 |
| 40110000 | PROFIT (LOSS) BEFORE INCOME TAX | 3,713,374 | -158,261 | -108,282 | 316,010 |
| 40120000 | INCOME TAX EXPENSE | 1,035,977 | -92,635 | 10,740 | -46,860 |
| 40120010 | CURRENT TAX | 32,851 | 9,345 | 44,545 | 6,417 |
| 40120020 | DEFERRED TAX | 1,003,126 | -101,980 | -33,805 | -53,277 |
| 40130000 | PROFIT (LOSS) FROM CONTINUING OPERATIONS | 2,677,397 | -65,626 | -119,022 | 362,870 |
| 40140000 | PROFIT (LOSS) FROM DISCONTINUED OPERATIONS | 0 | 0 | 0 | 0 |
| 40150000 | NET PROFIT (LOSS) | 2,677,397 | -65,626 | -119,022 | 362,870 |
| 40160000 | PROFIT (LOSS), ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0 | 0 | 0 | 0 |
| 40170000 | PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT | 2,677,397 | -65,626 | -119,022 | 362,870 |
| 40180000 | BASIC EARNINGS (LOSS) PER SHARE | 0.31 | -0.01 | -0.01 | 0.04 |
| 40190000 | DILUTED EARNINGS (LOSS) PER SHARE | 0.00 | 0 | 0.00 | 0.00 |

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03**

YEAR: **2013**

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, 2013 AND 2012

(Thousand Pesos)

Final Printing

| REF | ACCOUNT / SUBACCOUNT | CURRENT YEAR | | PREVIOUS YEAR | |
|-----------------|---|------------------|----------------|-----------------|----------------|
| | | ACCUMULATED | QUARTER | ACCUMULATED | QUARTER |
| 40200000 | NET PROFIT (LOSS) | 2,677,397 | -65,626 | -119,022 | 362,870 |
| | 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 | 29,351 | 0 | -8,912 | -10,904 |
| 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 | 29,351 | 0 | -8,912 | -10,904 |
| 40300000 | TOTAL COMPREHENSIVE INCOME | 2,706,748 | -65,626 | -127,934 | 351,966 |
| 40320000 | COMPREHENSIVE INCOME, ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0 | 0 | 0 | 0 |
| 40310000 | COMPREHENSIVE INCOME, ATTRIBUTABLE TO OWNERS OF PARENT | 2,706,748 | -65,626 | -127,934 | 351,966 |

MEXICAN STOCK EXCHANGE

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QUARTER: **03**

YEAR: **2013**

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

STATEMENTS OF COMPREHENSIVE INCOME INFORMATIONAL DATA

CONSOLIDATED

FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER, 2013 AND 2012

(Thousand Pesos)

Final Printing

| REF | ACCOUNT / SUBACCOUNT | CURRENT YEAR | | PREVIOUS YEAR | |
|---------|---|--------------|---------|---------------|---------|
| | | ACCUMULATED | QUARTER | ACCUMULATED | QUARTER |
| 9200010 | OPERATING DEPRECIATION AND AMORTIZATION | 2,404,021 | 798,905 | 2,277,167 | 788,754 |
| 9200020 | EMPLOYEES PROFIT SHARING EXPENSES | 3,716 | 1,239 | 3,418 | 1,537 |

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03**

YEAR: **2013**

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

STATEMENTS OF COMPREHENSIVE INCOME INFORMATIONAL DATA (12 MONTHS)

CONSOLIDATED

FOR THE NINE AND THREE MONTHS ENDED 30 SEPTEMBER, 2013 AND 2012

(Thousand Pesos)

Final Printing

| REF | ACCOUNT / SUBACCOUNT | YEAR | |
|----------|---|-----------|------------|
| | | CURRENT | PREVIOUS |
| 92000030 | REVENUE NET (**) | 9,716,505 | 10,540,393 |
| 92000040 | OPERATING PROFIT (LOSS) (**) | 2,371,518 | -398,906 |
| 92000050 | PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT(**) | 2,087,550 | -1,177,316 |
| 92000060 | NET PROFIT (LOSS) (**) | 2,087,550 | -1,177,316 |
| 92000070 | OPERATING DEPRECIATION AND AMORTIZATION (**) | 3,200,094 | 3,052,000 |

(*) TO BE DEFINED BY EACH COMPANY

(**) INFORMATION LAST 12 MONTHS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

STATEMENT OF CASH FLOWS

TO SEPTEMBER 30 OF 2013 AND 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

| REF | ACCOUNT/SUBACCOUNT | CURRENT YEAR | PREVIOUS YEAR |
|-----------------------------|--|------------------|------------------|
| | | Amount | Amount |
| OPERATING ACTIVITIES | | | |
| 50010000 | PROFIT (LOSS) BEFORE INCOME TAX | 3,713,374 | -108,282 |
| 50020000 | +(-) ITEMS NOT REQUIRING CASH | 63,018 | -746,067 |
| 50020010 | + ESTIMATE FOR THE PERIOD | 143,704 | 132,038 |
| 50020020 | + PROVISION FOR THE PERIOD | 0 | 0 |
| 50020030 | +(-) OTHER UNREALISED ITEMS | -80,686 | -878,105 |
| 50030000 | +(-) ITEMS RELATED TO INVESTING ACTIVITIES | -668,488 | 2,299,892 |
| 50030010 | DEPRECIATION AND AMORTISATION FOR THE PERIOD | 2,404,021 | 2,277,167 |
| 50030020 | (-)+ GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT | -3,110,632 | -551 |
| 50030030 | +(-) LOSS (REVERSAL) IMPAIRMENT | 0 | 0 |
| 50030040 | (-)+ EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES | 62 | 16 |
| 50030050 | (-) DIVIDENDS RECEIVED | 0 | 0 |
| 50030060 | (-) INTEREST RECEIVED | 0 | 0 |
| 50030070 | (-) EXCHANGE FLUCTUATION | 0 | 0 |
| 50030080 | (-)+ OTHER INFLOWS (OUTFLOWS) OF CASH | 38,061 | 23,260 |
| 50040000 | +(-) ITEMS RELATED TO FINANCING ACTIVITIES | -835,864 | 878,794 |
| 50040010 | (+) ACCRUED INTEREST | 669,024 | 782,782 |
| 50040020 | (+) EXCHANGE FLUCTUATION | 0 | 0 |
| 50040030 | (+) DERIVATIVE TRANSACTIONS | 36,957 | 100,689 |
| 50040040 | (-)+ OTHER INFLOWS (OUTFLOWS) OF CASH | -1,541,845 | -4,677 |
| 50050000 | CASH FLOWS BEFORE INCOME TAX | 2,272,040 | 2,324,337 |
| 50060000 | CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | -962,266 | -503,751 |
| 50060010 | +(-) DECREASE (INCREASE) IN TRADE ACCOUNTS RECEIVABLE | -704,540 | -661,088 |
| 50060020 | +(-) DECREASE (INCREASE) IN INVENTORIES | 14,701 | 34,512 |
| 50060030 | +(-) DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE | 44,340 | 118,396 |
| 50060040 | +(-) INCREASE (DECREASE) IN TRADE ACCOUNTS PAYABLE | -319,842 | 64,555 |
| 50060050 | +(-) INCREASE (DECREASE) IN OTHER LIABILITIES | -84,872 | -22,561 |
| 50060060 | +(-) INCOME TAXES PAID OR RETURNED | 87,947 | -37,565 |
| 50070000 | NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | 1,309,774 | 1,820,586 |
| INVESTING ACTIVITIES | | | |
| 50080000 | NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | 1,928,700 | -1,468,861 |
| 50080010 | (-) PERMANENT INVESTMENTS | 0 | 0 |
| 50080020 | + DISPOSITION OF PERMANENT INVESTMENTS | 0 | 0 |
| 50080030 | (-) INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT | -1,234,556 | -1,470,808 |
| 50080040 | + SALE OF PROPERTY, PLANT AND EQUIPMENT | 3,158,253 | 0 |
| 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 | 5,003 | 1,947 |
| FINANCING ACTIVITIES | | | |
| 50090000 | NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES | -3,223,239 | -1,114,749 |
| 50090010 | + BANK FINANCING | 0 | 0 |
| 50090020 | + STOCK MARKET FINANCING | 0 | 0 |
| 50090030 | + OTHER FINANCING | 75,000 | 0 |
| 50090040 | (-) BANK FINANCING AMORTISATION | -1,042,116 | 0 |
| 50090050 | (-) STOCK MARKET FINANCING AMORTISATION | -1,284,249 | 0 |
| 50090060 | (-) OTHER FINANCING AMORTISATION | -167,958 | -238,429 |
| 50090070 | +(-) INCREASE (DECREASE) IN CAPITAL STOCK | 384 | 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 | -726,318 | -983,769 |
| 50090120 | (-) REPURCHASE OF SHARES | 0 | 0 |
| 50090130 | (-)+ OTHER INFLOWS (OUTFLOWS) OF CASH | -77,982 | 107,449 |

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

STATEMENT OF CASH FLOWS

TO SEPTEMBER 30 OF 2013 AND 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

| REF | ACCOUNT/SUBACCOUNT | CURREENT YEAR | PREVIOUS YEAR |
|----------|--|---------------|---------------|
| | | Amount | Amount |
| 50100000 | NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 15,235 | -763,024 |
| 50110000 | EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 20,558 | 56,720 |
| 50120000 | CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 597,201 | 1,372,896 |
| 50130000 | CASH AND CASH EQUIVALENTS AT END OF PERIOD | 632,994 | 666,592 |

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

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

QUARTER: 03 YEAR: 2013

STATEMENT OF CHANGES IN EQUITY

(THOUSAND PESOS)

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| 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, 2012 | 6,625,536 | 0 | 644,710 | 0 | 0 | 162,334 | -1,606,086 | -24,308 | 5,802,186 | 0 | 5,802,186 |
| 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) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 | -119,022 | -8,912 | -127,934 | 0 | -127,934 |
| BALANCE AT SEPTEMBER 30, 2012 | 6,625,536 | 0 | 644,710 | 0 | 0 | 162,334 | -1,725,108 | -33,220 | 5,674,252 | 0 | 5,674,252 |
| BALANCE AT JANUARY 1, 2013 | 6,625,536 | 0 | 644,710 | 0 | 0 | 162,334 | -2,314,955 | -29,351 | 5,088,274 | 0 | 5,088,274 |
| 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) | 383 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 383 | 0 | 383 |
| 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 | 2,677,397 | 29,351 | 2,706,748 | 0 | 2,706,748 |
| BALANCE AT SEPTEMBER 30, 2013 | 6,625,919 | 0 | 644,710 | 0 | 0 | 162,334 | 362,442 | 0 | 7,795,405 | 0 | 7,795,405 |

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

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

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SEE THE ATTACHED FILE

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

FINANCIAL STATEMENT NOTES

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MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (THOUSAND PESOS)

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| 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 | 9,585 |
| TOTAL INVESTMENT IN ASSOCIATES | | | | 24,497 | 9,585 |

NOTES

MEXICAN STOCK EXCHANGE

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

QUARTER: **03** YEAR: **2013**

BREAKDOWN OF CREDITS (THOUSAND PESOS)

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| 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 | | | | | | | | | | | | | | | | |
| SENIOR NOTES 2017 | YES | 02/02/2007 | 01/02/2017 | 7.63 | | | | | | | 0 | 0 | 0 | 0 | 1,730,453 | 0 |
| SENIOR NOTES 2019 | YES | 22/09/2009 | 22/09/2019 | 9 | | | | | | | 0 | 0 | 0 | 0 | 0 | 1,751,063 |
| SENIOR SECURED NOTES 2020 | YES | 31/01/2013 | 31/01/2020 | 7,8 y 9 | | | | | | | 0 | 0 | 0 | 0 | 0 | 3,235,448 |
| CONVERTIBLE NOTES 2020 | YES | 31/01/2013 | 31/01/2020 | 7,8 Y 9 | | | | | | | 0 | 0 | 0 | 0 | 0 | 288,730 |
| SECURED | | | | | | | | | | | | | | | | |
| TOTAL STOCK MARKET LISTED IN STOCK EXCHANGE AND PRIVATE PLACEMENT | | | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,730,453 | 5,275,241 |

MEXICAN STOCK EXCHANGE

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

QUARTER: **03** YEAR: **2013**

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 | | | 50,017 | 167,123 | 58,851 | 32,908 | 20,584 | 0 | | | | | | |
| OTROS PASIVOS CON COSTO | NOT | | | | | | | | | 18,908 | 36,367 | 25,512 | 36,843 | 11,815 | 0 |
| TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES WITH COST | | | | 50,017 | 167,123 | 58,851 | 32,908 | 20,584 | 0 | 18,908 | 36,367 | 25,512 | 36,843 | 11,815 | 0 |
| SUPPLIERS | | | | | | | | | | | | | | | |
| PROVEEDORES | NOT | | | 0 | 1,413,298 | | | | | | | | | | |
| PROVEEDORES | NOT | | | | | | | | | 0 | 659,432 | | | | |
| PROVEEDORES | YES | | | | | | | | | 0 | 99,995 | | | | |
| TOTAL SUPPLIERS | | | | 0 | 1,413,298 | | | | | 0 | 759,427 | | | | |
| OTHER CURRENT AND NON-CURRENT LIABILITIES | | | | | | | | | | | | | | | |
| OTROS PASIVOS | NOT | | | 1,125 | 634,015 | 404,693 | 0 | 0 | 0 | | | | | | |
| OTROS PASIVOS | NOT | | | | | | | | | 104,744 | 17,542 | 2,887 | 0 | 0 | 0 |
| TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES | | | | 1,125 | 634,015 | 404,693 | 0 | 0 | 0 | 104,744 | 17,542 | 2,887 | 0 | 0 | 0 |
| GENERAL TOTAL | | | | 51,142 | 2,214,436 | 463,544 | 32,908 | 20,584 | 0 | 123,652 | 813,336 | 28,399 | 36,843 | 1,742,268 | 5,275,241 |

NOTES

MEXICAN STOCK EXCHANGE

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

QUARTER: **03** YEAR: **2013**

MONETARY FOREIGN CURRENCY POSITION

CONSOLIDATED

(THOUSAND PESOS)

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| FOREIGN CURRENCY POSITION (THOUSANDS OF PESOS) | DOLLARS | | OTHER CURRENCIES | | THOUSAND PESOS TOTAL |
|---|-------------------------|-------------------|-------------------------|----------------|-------------------------|
| | THOUSANDS OF DOLLARS | THOUSAND PESOS | THOUSANDS OF DOLLARS | THOUSAND PESOS | |
| MONETARY ASSETS | 30,642 | 398,716 | 0 | 0 | 398,716 |
| CURRENT | 30,642 | 398,716 | 0 | 0 | 398,716 |
| NON CURRENT | 0 | 0 | 0 | 0 | 0 |
| LIABILITIES POSITION | 616,339 | 8,019,739 | 0 | 0 | 8,019,739 |
| CURRENT | 72,010 | 936,988 | 0 | 0 | 936,988 |
| NON CURRENT | 544,329 | 7,082,751 | 0 | 0 | 7,082,751 |
| NET BALANCE | -585,697 | -7,621,023 | 0 | 0 | -7,621,023 |

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

DEBT INSTRUMENTS

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CONSOLIDATED

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FINANCIAL LIMITATIONS IN CONTRACT, ISSUED DEED AND / OR TITLE

- AS OF SEPTEMBER 30, 2013 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 JANUARY 31, 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 RATIO TO ADJUSTED EBITDA LESS THAN 4 TIMES
 - TOTAL GUARANTEED DEBT EQUAL TO TOTAL DEBT ISSUED BY US\$ 270,842,689.85 MILLION
 - 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).

CURRENT SITUATION OF FINANCIAL COVENANTS:

- THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS
-

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

DEBT INSTRUMENTS

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ACTUAL SITUATION OF FINANCIAL LIMITED

THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

MEXICAN STOCK EXCHANGE

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

QUARTER: **03** YEAR: **2013**

DISTRIBUTION OF REVENUE BY PRODUCT

CONSOLIDATED

TOTAL INCOME
 (THOUSAND PESOS)

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| MAIN PRODUCTS OR PRODUCT LINE | NET SALES | | MARKET SHARE (%) | MAIN | |
|--------------------------------------|-----------|------------------|------------------|------------|-----------|
| | VOLUME | AMOUNT | | TRADEMARKS | CUSTOMERS |
| NATIONAL INCOME | | | | | |
| SERVICIOS LOCALES | 0 | 2,446,320 | 0.00 | | |
| SERVICIOS DE L.D. | 0 | 863,861 | 0 | | |
| DATOS | 0 | 2,118,466 | 0 | | |
| TRAFICO INTL. | 0 | 451,168 | 0 | | |
| OTROS SERVICIOS | 0 | 1,418,968 | 0 | | |
| EXPORT INCOME | | | | | |
| INCOME OF SUBSIDIARIES ABROAD | | | | | |
| TOTAL | 0 | 7,298,783 | | | |

NOTES

MEXICAN STOCK EXCHANGE

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

QUARTER: 03 YEAR: 2013

ANALYSIS OF PAID CAPITAL STOCK
 CHARACTERISTICS OF THE SHARES

CONSOLIDATED

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| 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 | 73,395 | 0 |
| B | 0.00000 | 0 | 8,672,716,596 | 0 | 0 | 8,672,716,596 | 6,552,524 | 0 |
| TOTAL | | | 8,770,467,252 | 0 | 97,750,656 | 8,672,716,596 | 6,625,919 | 0 |

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

8,770,467,252

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **03** YEAR: **2013**

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

DERIVATIVE FINANCIAL INSTRUMENTS

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SEE THE ATTACHED FILE

San Pedro Garza Garcia, Mexico, October 28, 2013 - 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, 2013⁽¹⁾.

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

Highlights:

- ❖ Adjusted EBITDA for the quarter was Ps. 750 million, 7% higher than the previous quarter and 6% higher than the same quarter of last year. This growth was driven by integrated services and equipment sales to the enterprise and government segments, as well as internet and video services to the mass market.
- ❖ FTTH subscriber net additions continue to grow, reaching 15 thousand in this quarter compared to 12 thousand in the second quarter. Moreover, video subscribers reached 47 thousand, representing a penetration of 34% within FTTH subscriber base, compared to 25% in the second quarter.
- ❖ WiMAX subscriber base continued improving as net disconnections totaled 3 thousand this quarter, compared to 11 thousand and 23 thousand net disconnections in the second and first quarters of 2013, respectively, due to more competitive offers and retention strategies adopted since April.
- ❖ In order to strengthen liquidity, AXTEL is in the process of closing committed revolving lines of credit for approximately US\$35 million and financial leasing facilities for a similar amount to finance specific enterprise and government segment projects.

Revenues from operations

Revenues from operations totaled Ps. 2,630 million in the third quarter of year 2013 from Ps. 2,581 million for the same period in 2012, an increase of Ps. 49 million or 2%.

Revenues from operations totaled Ps. 9,717 million in the twelve month period ended September 30, 2013, compared to Ps. 10,540 million in the same period in 2012, a decrease of Ps. 824 million, or 8%.

Sources of Revenues

IMPORTANT DISCLOSURE. Unless otherwise stated, comments in this section exclude revenues generated by our major wholesale customer (see note 9 for further information).

Local services. Local service revenues totaled Ps. 784 million in the third quarter of 2013, compared to Ps. 900 million for same period in 2012, representing a decrease of Ps. 116 million, explained by Ps. 76 million, Ps. 16 million and Ps. 23 million decreases in monthly rents, measured service and cellular revenues, respectively. Average voice lines declined 9%, contributing to a decline in monthly rents of 11%. The 29% decrease in measured services is explained by 16% decreases in both billed-traffic volume and prices. The 15% decrease in cellular revenue is explained by a 13% decrease in

prices resulting from a market trend linked to lower interconnection tariffs, and a 3% decline in cellular billed-traffic. Revenues coming from monthly rents represented 78% of local revenues during the three month period ended September 30, 2013. For the twelve month period ended September 30, 2013, local revenues totaled Ps. 3,314 million, compared to Ps. 3,657 million registered in the same period in 2012, a decrease of Ps. 343 million or 9% mostly explained by Ps. 187, Ps. 56 and Ps. 100 million declines in monthly rents, measured service and cellular revenues respectively.

Long distance services. Revenues totaled Ps. 266 million in the third quarter of 2013, compared to Ps. 282 million for same period in 2012. Billed-traffic volume increased 9%, however revenues decreased due to a 13% decline in billed-traffic prices. For the twelve month period ended September 30, 2013, long distance revenues totaled Ps. 1,076 million compared to Ps. 1,108 million registered in 2012, a Ps. 31 million, or 3%, decline.

Internet & Video. Quarterly revenues amounted to Ps. 274 million, compared to Ps. 205 million in the same period in 2012, a 34% or Ps. 69 million increase driven by the new video or pay-TV service and the increase in mass-market, or, “on-demand” internet services revenues, which increased 20% year-over-year. During the twelve month period ended on September 30, 2013, internet and video services revenues totaled Ps. 978 million from Ps. 735 million registered in 2012, an increase of Ps. 242 million, or 33%.

Data & Network. Data and network revenues amounted to Ps. 448 million in the third quarter of 2013, compared to Ps. 499 million in the same period in 2012, a 10% or Ps. 51 million decrease driven by 10% declines in both private lines and dedicated internet revenues. During the twelve month period ended on September 30, 2013, data and network services revenues totaled Ps. 1,902 million from Ps. 2,002 million registered in 2012, a decrease of Ps. 100 million, or 5%.

Integrated Services & Equipment Sales. Quarterly revenues totaled Ps. 565 million in the third quarter of 2013, from Ps. 414 million in the same quarter of previous year, a 37% increase mainly explained by integrated service and equipment sales transactions with state government entities and enterprise customers. For the twelve month period ended September 30, 2013, revenues totaled Ps. 1,345 million from Ps. 1,597 million registered in 2012, a decrease of Ps. 252 million, or 16%.

International traffic. In the third quarter of 2013, international traffic revenues totaled Ps. 156 million, an increase of Ps. 14 million or 10% versus same quarter of previous year, explained by mixed effects of 24% increase in prices and 11% reduction in volume. Higher prices are attributable to a change in the mix towards higher priced international mobile traffic vs. on-net and off-net traffic. In peso terms, the price increase was mitigated by a 2% appreciation of the Mexican peso vis-à-vis the US dollar. For the twelve month period ended September 30, 2013, revenues from international traffic totaled Ps. 597 million from Ps. 845 million in the same period in 2012, a decline of 29% explained by a 13% decline in volume.

Other services. Quarterly revenues from other services totaled Ps. 91 million in the third quarter of 2013, from Ps. 92 million in the same quarter of previous year, a decrease of 1%. For the twelve month period ended September 30, 2013, revenues totaled Ps. 337 million from Ps. 377 million registered in 2012, a decrease of Ps. 40 million, or 11%.

Revenues by segment **(Excludes International Traffic and Major Wholesale Customer)*

Mass Market. Revenues totaled Ps. 880 million in the third quarter of 2013, compared to Ps. 936 million for the same quarter in 2012, a decrease of 6%, mainly due to 14% and 13% decreases in local and long distance revenues, partially compensated by a 30% increase in internet and video services. For the twelve month period ended September 30, 2013, revenues totaled Ps. 3,573 million, a decrease of 2% compared to the same period in 2012, mostly explained by 11% and 8% decreases in local and long distance revenues and partially offset by a 30% increase in internet and video services.

Enterprise (including Government). Revenues for this segment amounted to Ps. 1,384 million in the three month period ended September 30, 2013, an increase of 12% versus the same period in 2012. This is explained by a 39% increase in integrated services and equipment sales. For the twelve month period ended September 30, 2013, revenues decreased 5%, from Ps. 4,886 million registered in the twelve month period ended September 30, 2012, to Ps. 4,636 million in 2013. This is due to decreases of 5% and 15% in local and integrated services.

Interconnection, Public Telephony and Carriers. Revenues for this segment declined 24%, from Ps. 215 million in the third quarter 2012 to Ps. 165 million in 2013, mainly due to a 34% decrease in data-related revenues. For the twelve month period ended September 30, 2013, revenues reached Ps. 744 million, a decline of 21% compared to the same period in 2012, primarily explained by 22%, 30% and 21% decreases in local, long distance and data revenues respectively.

Consumption

Local Calls. Local calls excluding our largest wholesale customer totaled 443 million calls in the third quarter of 2013, compared to 466 million calls for same period in 2012, representing a decrease of 5%. Billed local calls decreased 15 million or 16%, while local calls included in commercial offers decreased by 8 million or 2%. Residential and business customers contributed with 3 million and 13 million decreases respectively to the billed local calls decline. Local calls included in commercial offers represented 82% of total calls in the third quarter of 2013. For the twelve month period ended September 30, 2013, local calls totaled 1,777 million excluding our largest wholesale customer, compared to 1,802 million registered in the same period in 2012, a decrease of 25 million calls.

Cellular ("Calling Party Pays"). Minutes of use of calls completed to a cellular line excluding our largest wholesale customer amounted to 175 million in the three month period ended September 30, 2013, compared to 173 million in the same period in 2012, an increase of 1%. Billed cellular minutes decreased 3 million or 3%, while minutes in modules included in a monthly rent increased 5 million minutes or 11%. Billed cellular minutes represented 70% of cellular minutes in the third quarter of 2013, compared to 72% in the year-earlier quarter. For the twelve month period ended September 30, 2013 and excluding our largest wholesale customer, cellular minutes increased 18 million, or 3%, from 655 million registered in the twelve month period ended September 30, 2012, to 673 million in 2013.

Long distance. Excluding our largest wholesale customer, which represents 13% of total volume, outgoing long distance minutes amounted to 565 million for the three month period ended September 30, 2013, from 529 million in the same period in 2012, a 7% increase. This, resulting from a 12% decrease and 11% increase in traffic from residential and business customers, respectively. Billed long distance minutes during the third quarter of 2013 increased 9% compared to the same period in 2012. Domestic long distance minutes represented 96% of total traffic during the quarter. For the twelve month period ended September 30, 2013 and excluding our largest wholesale customer, outgoing long distance minutes amounted 2,220 million, compared to 1,955 million registered in 2012, an increase of 14%, explained by increased traffic from business customers, particularly in billed long distance minutes.

Operating Data

RGUs⁽⁸⁾ and Customers. As of September 30, 2013, RGUs (Revenue Generating Units) totaled 1,474 thousand. During the third quarter of 2013, there were 23 thousand net-additions, compared to 7 thousand net-disconnections in the third quarter of 2012, attributable to the addition of video RGUs. As of September 30, 2013, customers totaled 645 thousand, a decline of 92 thousand from the same date in 2012. Total customers declined 9 thousand on a sequential basis.

Voice RGUs (lines in service). As of September 30, 2013, lines in service totaled 935 thousand. During both the third quarter of 2013 and third quarter 2012, gross additional lines totaled 59 thousand. Disconnections in the third quarter of 2013 totaled 64 thousand compared to 75 thousand in the year-earlier quarter. Lines in service in the third quarter of 2013 decreased 4 thousand, compared to 16 thousand in the same period of 2012. As of September 30, 2013, residential lines represented 63% of total lines in service.

Broadband RGUs (broadband subscribers). Broadband subscribers remained unchanged year-over-year totaling 492 thousand as of September 30, 2013. During the third quarter of 2013, broadband subscribers net-additions totaled 12 thousand compared to 9 thousand in the same period of 2012. As of September 30, 2013, WiMAX broadband subs reached 344 thousand, compared to 383 thousand a year ago, while AXTEL X-tremo, or FTTH customers, totaled 136 thousand compared to 91 thousand a year ago. Broadband penetration reached 53% at the end of the third quarter of 2013, compared to 48% a year ago.

Video subscribers. Axtel launched its pay-television service, AXTEL TV, on January 30th, 2013, and as of September 30, 2013, video subscribers reached 47 thousand. Video subscribers totaled 31 thousand at the beginning of this quarter.

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, 2013, line equivalents totaled 767 thousand, 24% increase.

Cost of Revenues and Operating Expenses

Cost of Revenues. For the three month period ended September 30, 2013, the cost of revenues represented Ps. 773 million, an increase of 4% or Ps. 32 million, compared with the same period of year 2012, mainly explained by increases of 16% in integrated services and equipment sales and 21% in international traffic costs. For the twelve month period ended September 30, 2013, cost of revenues reached Ps. 2,605 million, a decrease of Ps. 258 million in comparison with year 2012, mainly due to decreases in integrated services and equipment sale costs.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the third quarter of 2013, the gross profit accounted for Ps. 1,857 million, an increase of 1% or Ps. 17 million compared with the same period in year 2012. The gross profit margin decreased from 71.3% to 70.6% year-over-year, influenced by lower international traffic margins and larger integrated services and equipment sales revenues that carried a lower gross margin. For the twelve month period ended September 30, 2013, our gross profit totaled Ps. 7,111 million, compared to Ps. 7,677 million recorded in year 2012, a decrease of Ps. 566 million, or 7%.

Operating expenses. In the third quarter of year 2013, operating expenses totaled Ps. 1,107 million, Ps. 29 million or 3% lower than the Ps. 1,136 million recorded in the same period in year 2012, explained by Ps. 53 and Ps. 26 million decreases in personnel and maintenance expenses, respectively, due to the efficiency initiatives initiated during the fourth quarter of last year. These reductions were partially offset by the Ps. 64 million increase in rents due to the towers lease expenses. For the twelve month period ended September 30, 2013, operating expenses totaled Ps. 4,416 million, coming from Ps. 4,620 million in the same period in 2012. Personnel represented 40% of total operating expenses in the twelve month period ended September 30, 2013.

Adjusted EBITDA, D&A and Operating Income

Adjusted EBITDA⁽⁵⁾. The Adjusted EBITDA totaled Ps. 750 million for the three month period ended September 30, 2013, compared to Ps. 705 million for the same period in 2012. As a percentage of total revenues, Adjusted EBITDA margin represented 28.5% in the third quarter of 2013, 123 bps higher than the margin recorded in the year-earlier quarter. Excluding the tower lease expense, Adjusted EBITDA in the third quarter would have been Ps. 821 million, representing a 31.2% margin, or 390 bps higher than a year earlier. For the twelve month period ended September 30, 2013, Adjusted EBITDA amounted to Ps. 2,695 million, compared to Ps. 3,057 million in year 2012.

Depreciation and Amortization⁽¹⁰⁾. Depreciation and amortization totaled Ps. 799 million in the three month period ending on September 30, 2013 compared to Ps. 769 million for the same period in year 2012. Depreciation and amortization for the twelve month period ended September 30, 2013 reached Ps. 3,200 million, from Ps. 3,052 million in the same period in year 2012, an increase of Ps. 148 million.

Operating Income (loss). In the three month period ended September 30, 2013, the Company recorded an operating loss of Ps. 62 million compared to an operating loss of Ps. 66 million registered in the same period in year 2012. For the twelve month period ended September 30, 2013 our operating income reached Ps. 2,372 million when compared to the operating loss of Ps. 399 million in the same period of year 2012, a variation of Ps. 2,770 million mainly explained by the gain related to the tower sale.

CFR, Indebtedness, Cash, Investments and Derivative Instruments

Comprehensive financial result. Net interest expense for the third quarter 2013 decreased Ps. 67 million vis-à-vis the third quarter 2012, due to the debt reduction implemented in the first quarter of 2013. During the third quarter 2013, a 1.4% peso appreciation against the U.S. dollar generated a Ps. 91 million FX gain. In the third quarter of 2012, an FX gain of Ps. 613 million was generated by a 5.8% peso appreciation. Concerning variations in the fair value of financial instruments, these are explained by 11% decrease and 7% increase in the price of AXTELCPO during the third quarters of 2013 and 2012, respectively, which affected the valuation of AXTEL's position held in its own stock through the zero-strike-calls instruments. The Ps. 568 million comprehensive financial gain for year ended in September 2013, compared to a Ps. 714 million comprehensive financial loss for year ended in September 2012, is mainly explained by the gain resulting from the debt exchange in the first quarter of 2013.

Debt. At the end of the third quarter of 2013, total debt decreased Ps. 3,800 million in comparison with the same date in 2012, explained by (i) a Ps. 2,927 million net reduction related to the exchange of the senior notes due 2017 and 2019, (ii) a Ps. 791 million decrease in bank debt related to the prepayment of the syndicated bank facility, (iii) a decrease of Ps. 185 million in leases and financial obligations, (iv) a Ps. 136 million decrease in notes issuance and deferred financing costs, and (v) a Ps. 52 million non-cash increase caused by the 1% depreciation of the Mexican peso.

Cash. As of the end of the third quarter of 2013, the cash and equivalents balance totaled Ps. 633 million, compared to Ps. 678 million a year ago, and Ps. 750 million at the beginning of the quarter. As of the end of the quarter, 20 percent of the cash balance was maintained in dollars, the rest in pesos.

Capital Investments. In the third quarter of 2013, capital investments totaled Ps. 496 million, or \$38 million, compared to Ps. 493 million, or \$37 million, in the year-earlier quarter. Accumulated for the twelve-month period ended September 30, 2013, capital investments totaled Ps. 1,780 million, or \$140 million, compared to Ps. 2,245 million, or \$168 million, for the same period ended in 2012.

Other Investments. As of September 30, 2013, the Company maintained an economic position equivalent to 30.4 million AXTELCPOs in ZSC.

Derivative Instruments. The following table summarizes the Company's derivatives position as of September 30, 2013.

| | AXTEL receives | AXTEL pays | Other |
|--|----------------|------------|-------|
|--|----------------|------------|-------|

| | | | |
|---------------------------------------|--|--------------------------|-----------------------|
| Zero-strike Equity Call Option | | | |
| Notional | | | 30.4 million AXTELCPO |
| Value | 30.4 million AXTELCPO times CPO's market price | Strike price: ¢1 per CPO | |
| Settlement | | | In cash |
| Expiration Date | | | January 2014 |
| Valuation | | | Ps. 121.3 million |

Financial Statements

Information as of September 30, 2013 compared with information as of September 30, 2012

Assets

As of September 30, 2013, total assets summed Ps. 18,921 million compared to Ps. 20,883 million as of September 30, 2012, a decline of Ps. 1,962 million.

Cash and equivalents. As of September 30, 2013, we had cash and cash equivalents of Ps. 633 million compared to Ps. 678 million in the same date of year 2012, a decrease of Ps. 45 million or 7%.

Accounts Receivable. As of September 30, 2013, the accounts receivable were Ps. 2,968 million compared with Ps. 2,547 million in the same date of 2012, an increase of Ps. 421 million.

Property, plant and equipment, net. As of September 30, 2013, the net of depreciation value of property, plant and equipment was Ps. 12,909 million compared with Ps. 14,203 million as of September 30, 2012, a decrease of Ps. 1,295 million. The property, plant and equipment without adjusting for the accumulated depreciation, was Ps. 37,073 million and Ps. 35,915 million as of September 30, 2013 and September 30, 2012, respectively.

Liabilities

Total liabilities were Ps. 11,126 million as of September 30, 2013 compared to Ps. 15,209 million as of September 30, 2012, a decrease of Ps. 4,083 million.

Accounts payable & accrued expenses. On September 30, 2013, the accounts payable and accrued expenses were Ps. 2,173 million compared with Ps. 2,648 million on September 30, 2012, a decrease of Ps. 475 million.

Stockholders Equity

On September 30, 2013, the stockholders equity of the Company was Ps. 7,795 million compared with Ps. 5,674 million as of September 30, 2012, an increase of Ps. 2,121 million, or 37%. The capital stock remained unchanged at Ps. 6,626 million as of September 30, 2013 and 2012.

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 would 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, 2013 compared with the three month period ended September 30, 2012

Net resources provided by operating activities were Ps. 696 million for the three month period ended on September 30, 2013 compared to Ps. 1,027 million recorded in the same period of year 2012.

Net resources (used in) provided by investing activities were Ps. (496) million for the three month period ended on September 30, 2013 compared to Ps. (493) million recorded in the same period of year 2012. These flows primarily reflect investments in fixed assets of Ps. (496) million and Ps. (493) million, respectively.

Net resources (used in) provided by financing activities were Ps. (319) million and Ps. (576) million for the three month periods ended on September 30, 2013 and 2012, respectively.

As of September 30, 2013, the ratios of net debt to Adjusted EBITDA and interest coverage of the company were 2.5x and 2.9x, respectively. As September 30, 2012 the ratios of net debt to Adjusted EBITDA and interest coverage, were 3.4x and 3.0x, respectively.

Since the beginning of operations of the Company, AXTEL has invested approximately Ps. 37 billion in infrastructure. The Company expects to do more investments in the future, according to the expansion of the network in other geographical areas of Mexico in order to gain market and to maintain its current infrastructure and network.

Cash Flow Statement

For the twelve months ended September 30, 2013 compared with twelve months ended September 30, 2012

Net resources provided by operating activities were Ps. 1,693 million for the twelve month period ended on September 30, 2013 compared to Ps. 3,123 million recorded in the same period of year 2012.

Net resources (used in) provided by investing activities were Ps. 1,366 million for the twelve month period ended on September 30, 2013 compared to Ps. (2,247) million recorded in the same period of year 2012. These flows primarily reflect investments in fixed assets of Ps. (1,780) million and Ps. (2,245) million, respectively.

Net resources (used in) provided by financing activities were Ps. (3,111) million and Ps. (823) million for the twelve month period ended on September 30, 2013 and 2012, 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 period ending on September 30, 2013, and June 30 and September 30, 2012; and twelve-month period ending on September 30, 2013 and September 30, 2012, and
 - Balance sheet information as of September 30, 2013 and 2012; and June 30, 2012.
- 2) Revenues are derived from:
 - i. Local services. We generate revenue by enabling our customers to originate and receive calls within a defined local service area and by providing offers with local calls, calls completed on a cellular line (“calling party pays,” or CPP calls) and long distance minutes included in the monthly rent. Customers are charged a flat monthly fee for a variety of commercial offers and in certain offers, a per call fee for local calls (“measured service”), a per minute usage fee for CPP calls and value added services.
 - ii. Long distance services. We generate revenues by providing long distance services (domestic and international) for our customers’ completed calls from AXTEL lines.
 - iii. 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, like virtual private networks and private lines, to the enterprise segment.
 - 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.
- 3) Cost of revenues includes expenses related to the termination of our customers’ cellular and long distance calls in other carriers’ networks, as well as expenses related to billing, payment processing, operator services and our leasing of private circuit links.
- 4) Operating expenses include costs incurred in connection with general and administrative matters which incorporate compensation and benefits, the costs of leasing land related to our operations and costs associated with sales and marketing and the maintenance of our network.
- 5) Adjusted EBITDA is defined as net income plus interest, taxes, depreciation and amortization, and further adjusted for unusual or non-recurring items. For additional detail on the Adjusted EBITDA Reconciliation, go to AXTEL’s web site at www.axtel.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 8,672,716,596, respectively, as of September 30, 2013.

- 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) Breakdown of AXTEL's revenues including its major wholesale customer:

| Million Pesos | Q3 2013 | Q3 2012 | Q2 2013 | LTM Sept-13 | LTM Sept-12 |
|-------------------------|---------|---------|---------|----------------|----------------|
| Local | 787 | 904 | 826 | 3,326 | 3,692 |
| Long Distance | 292 | 316 | 288 | 1,170 | 1,253 |
| Internet & Video | 274 | 205 | 252 | 978 | 735 |
| Data & Network | 450 | 501 | 481 | 1,911 | 2,011 |
| Int. Service & Eq. Sale | 565 | 414 | 267 | 1,345 | 1,597 |
| Int'l. Traffic | 156 | 141 | 171 | 597 | 845 |
| Other | 106 | 100 | 95 | 390 | 407 |
| | 2,630 | 2,581 | 2,380 | 9,717 | 10,540 |

- 10) Depreciation and amortization includes depreciation of all communications network and equipment and amortization of pre-operating expenses and cost of spectrum licenses, among others.
- 11) 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.

- Actinver Casa de Bolsa
- Bank of America-Merrill Lynch
- BBVA Bancomer
- BTG Pactual
- Casa de Bolsa Banorte Ixe, Grupo Financiero Banorte
- Credit Suisse Securities
- GBM Grupo Bursátil Mexicano
- Goldman, Sachs & Co.
- 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 www.axtel.mx

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Thousands of Mexican pesos)

(1) Reporting entity

Axtel, S.A.B. de C.V. ("AXTEL") is a Mexican corporation 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. A concession is required to provide these services and carry out the related activities. 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. The corporate domicile of the Company located in Blvd. Díaz Ordaz km 3.33 L-1, Colonia Unidad San Pedro, 66215 San Pedro Garza García, Nuevo León, Mexico. Axtel's primary activities are carried out through different operating entities which are its direct or indirect subsidiaries (collectively with Axtel referred to herein as the "Company").

(2) Significant events

On January 31, 2013, the Company completed the sale of 883 sites to MATC Digital telecommunications, S. de RL de CV ("MATC"), a subsidiary of American Tower Corporation, in amount of U.S. 249 million. Additionally, the Company agreed to lease certain spaces at these locations in terms ranging from 6 to 15 years, depending on the type of technology installed at each site, for a net cost of approximately \$ 20 million.

Simultaneously, the Company completed the exchange of 142 and 335 million of unsecured notes due in 2017 and 2019, respectively, for 249 and 22 million dollars secured bond and a convertible bond, respectively, both with initial interest rate initial of 7% which will be increased to 9% and due in 2020, plus a cash payment of \$ 83 million to participating holders.

Additionally, the Company performed the full payment of the remaining balance of the syndicated loan, interest and related derivative transactions, totaling approximately \$ 88 million.

On January 30, 2013, the Company launched its pay-TV service "AXTEL TV" in Mexico City, Guadalajara and Monterrey.

On January 25, 2013, the Extraordinary General Meeting of Shareholders authorized the issuance of bonds convertible into shares for a maximum amount of 335 million pesos, which may in the future be converted into shares of class B series "I" Share Capital of the Company. Consequently, the issuance of up to 972,814,143 shares, which remain in the treasury of the Company and will be available for the conversion of convertible bonds into shares in the company.

On December 4, 2012, the Extraordinary General Meeting of Shareholders authorized to negotiate, incur or execute financing operations and debt restructuring on terms and conditions that management deems appropriate and in according with current market conditions, and is authorized to grant part or all of the tangible and intangible assets, present and / or future of the Company to ensure the financing and restructuring operations.

In recent quarters, the Company has experienced declines in revenues and cash flows, affecting its liquidity. This situation is negatively impacting the Company's investment program, thus slowing the Company's growth. The company is facing this situation in the following ways:

- reduce operating expenses, through the implementation of different programs such as restructuring corporate structure and reducing workforce, and the not renewal of certain offices space under operating leases,
- a liability management plan targeting to reduce current long term debt to achieve a more affordable debt level,
- selling of non-strategic assets, through sale and lease back transactions,
- launching different commercial offers and new products that were in developing stages and are ready to begin its commercial launch in the coming quarters.

In order to comply with its strategic plans, the Company undertook a restructuring in some of its operational areas.

(3) International Financial Reporting Standards

Beginning January 1, 2012, the Company adopted the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”) as the regulatory base to prepare and present consolidated financial statements.

(4) 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, 2012.

During the interim period ended June 30, 2013 and the year ended December 31, 2012 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 certain financial instruments. The historical cost is generally based on the fair value of the consideration granted in exchange of the related assets.

c) Functional and presentation currency

These consolidated financial statements are presented in Mexican pesos, which is the Company’s functional currency. All financial information presented in pesos or “Ps.”, are to Mexican pesos; likewise, references to dollars or U.S. \$, or USD are to dollars of the United States of America.

(5) Significant accounting policies

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

a) 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.

b) Restricted cash

The Company restricted cash as of December 31, 2012 presented in the consolidated statements of financial position, amounted to \$ 10,709, derived from the syndicated loan (see note 2).

c) 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,” “investments held to maturity”, “assets available for sale” “loans and accounts payable.” 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as such or that are not classified in any of the previously mentioned categories and do qualify as held-to-maturity investments. Available-for-sale financial assets represent investments with a quoted price in an active market and can therefore be reliably valued at their fair value. After initial measurement, available-for sale financial assets are valued at their fair value and the unrealized gains or losses are recognized as a separate item in the other comprehensive income in the stockholders' equity within other comprehensive income. When the available-for-sale financial assets are sold and all of the risks and benefits have been transferred to the buyer, all previous fair value adjustments recognized directly in the other comprehensive income in the stockholders' equity are reclassified to the consolidated statements of comprehensive income.

Receivables

Trade accounts receivable and other accounts receivable with fixed or determinable payments that are not traded on an active market are classified as "Receivables". Receivables are valued at amortized cost using the effective interest rate method, less any impairment losses. 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.

d) 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.

Available-for-sale financial instruments

If an available-for-sale asset is impaired, the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated interim statement of comprehensive income, is reclassified from comprehensive income or loss in stockholders' equity to the consolidated statement of comprehensive income. For equity instruments classified as available-for-sale, if there is a significant or prolonged decline in their fair value to below acquisition cost, impairment is recognized directly in the consolidated statement of comprehensive income but subsequent reversals of impairment are not recognized in the consolidated statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of comprehensive income; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized.

e) Derivative financial instruments

Hedging instruments

The Company recognizes all derivative financial instruments as financial assets and/or liabilities, which are stated 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.

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.

f) 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.

g) 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.

h) Investments in associates and joint ventures 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 as their fair value is not reliably determinable.

i) 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 associated impairment losses.

Property, plant and equipment are presented using the cost method foreseen in IAS 16, "Property, Plant and Equipment." Depreciation is calculated using the straight line method based on the value of the assets and their estimated useful life, which is periodically reviewed by the Company's management.

Depreciation

The estimated useful lives of the Company's assets property, systems and equipment are as follows:

| | <u>Useful lives</u> |
|-----------------------------------|--------------------------------|
| Building | 25 years |
| Computer and electronic equipment | 3 years |
| Transportation equipment | 4 years |
| Furniture and fixtures | 10 years |
| Network equipment | 6 to 28 years |
| Leasehold improvements | 5 to 14 years |

Leasehold improvements are amortized over the useful life of the improvement or the related contract term, whichever is shorter.

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 flow to the Company, and its 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 mainly to selling and administrative expenses.

Decommissioning and remediation obligations

The Company recognizes a provision for the present value associated with the Company's decommissioning and remediation obligations to remove its telecommunication towers and capitalized the associated cost as a component of the related asset. Adjustments to such obligations resulting from changes in the expected cash flows are added to, or deducted from, the cost of the related asset in the current period, except to the extent that the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss.

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.

j) 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. 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.

As a consequence of the acquisition of Avantel, the Company identified and recognized the following intangible assets: trade name, customer relationships and concession rights.

k) Impairment of non-financial assets

The Company reviews carrying amounts of its 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). Intangible assets with indefinite useful lives are subject to impairment tests at least every year, and when there is an indicator of impairment.

The recoverable amount is the higher of fair value less its disposal cost and value in use. In assessing value in use, estimated future prices of different products are used to determine estimated cash flows, discount rates and perpetuity growth. Estimated future cash flows are discounted to their fair value using a pre-tax discount rate that reflects market conditions and the risks specific to each asset for which estimated future cash flows have not been adjusted.

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.

l) Non-current assets held for sale

Non-recurrent assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. This means that the asset is available for immediate sale and its sale is highly probable. A non-current asset classified as held for sale is measured at the lower of its fair value less cost to sell and its carrying amount. Any impairment loss for write-down of the asset to fair value less costs to sell is recognized in the statement of comprehensive income.

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 interim 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) Leases

Leases are classified as financial leases when under the terms of the lease, the risks and benefits of the property are substantially transferred to the lessee. All other leases are classified as operating leases.

The Company as a lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

o) 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).

p) 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 in so far 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 its 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 its 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.

q) Statutory employee profit sharing

In conformity with Mexican labor law, the Company must distribute the equivalent of 10% of its annual taxable income as employee statutory profit sharing. This amount is recognized in the consolidated statement of comprehensive income.

r) Income taxes

Current income taxes

The tax currently payable is based on taxable profit for the year, which for companies in Mexico is comprised of the regular income tax (ISR) and the business flat tax (IETU). Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred income tax is calculated based on management's financial projections according to whether it expects the Company to incur ISR or IETU in the future. The recognition of deferred tax assets and liabilities reflects the tax consequences that the Company expects at the end of the period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax is recognized on temporary differences between the book and tax values of assets and liabilities, including tax loss benefits. Deferred tax assets or liabilities are not recognized if temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences related to with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax for the year are recognized in profit or loss, except where they are related to items recognized in the "Other comprehensive income" line item in the stockholders' equity, in which case the current and deferred taxes are recognized in the stockholders' equity.

s) 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.
- *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.

t) 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.

u) 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.

(6) 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.

The critical accounting judgments and key uncertainty sources when applying the estimates performed as of the date of the consolidated financial statements, and that have a significant risk of resulting in an adjustment to the book values of the assets and liabilities during the following financial period are as follows:

- 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) Decommission and remediation provision - The Company recognizes a provision for the present value associated with the Company's decommissioning and remediation obligations to remove its telecommunication towers and capitalizes the associated cost as a component of the related asset.
- f) Deferred income taxes - The Company prepares future cash flows projections to determine whether it will pay ISR or IETU in future periods, in order to estimate the reversal dates for the temporary differences that result in deferred tax assets and liabilities.
- g) Deferred tax assets - Deferred tax assets are recognized for the tax loss carry forwards to the extent management believes it is recoverable through the generation of future taxable income to which it can be applied.
- h) 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 these models are supplied with are taken 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.
- i) 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.

(7) 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, 2012 | 430,990 | 3,040,278 | 378,071 | 215,919 | 27,424,110 | 417,957 | 2,536,711 | 34,444,036 |
| Additions | - | 247 | 2,814 | 2 | 572,753 | - | 1,481,933 | 2,057,749 |
| Transfer of completed projects in progress | - | 235,402 | 25,095 | 5,178 | 2,411,698 | 7,190 | (2,684,563) | - |
| Transfer to assets held for sale | - | - | - | - | (817,077) | - | - | (817,077) |
| Disposals | - | (26) | (10,569) | - | (21,307) | - | - | (31,902) |
| Balance as of December 31, 2012 | 430,990 | 3,275,901 | 395,411 | 221,099 | 29,570,177 | 425,147 | 1,334,081 | 35,652,806 |
| Additions | - | 579 | 21,224 | 130 | 389,334 | - | 872,557 | 1,283,824 |
| Transfer of completed projects in progress | - | 80,401 | - | 1,257 | 1,124,784 | 4,198 | (1,210,640) | - |
| Transfer to assets held for sale | - | - | - | - | 240,451 | - | - | 240,451 |
| Disposals | - | - | (30,738) | - | (73,098) | - | - | (103,836) |
| Balance as of September 30, 2013 | 430,990 | 3,356,881 | 385,897 | 222,486 | 31,251,648 | 429,345 | 995,998 | 37,073,245 |

| Depreciation and impairment | 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, 2012 | 107,512 | 1,129,025 | 221,955 | 149,454 | 17,153,898 | 259,169 | - | 19,021,013 |
| Depreciation for the year | 14,286 | 101,517 | 76,790 | 14,063 | 2,776,095 | 38,459 | - | 3,021,210 |
| Disposals | - | - | (9,588) | - | (21,208) | - | - | (30,796) |
| Transfer to assets held for sale | - | - | - | - | (356,615) | - | - | (356,615) |
| Balance as of December 31, 2012 | 121,798 | 1,230,542 | 289,157 | 163,517 | 19,552,170 | 297,628 | - | 21,654,812 |
| Depreciation for the year | 10,714 | 100,587 | 48,132 | 10,687 | 2,172,312 | 23,129 | - | 2,365,561 |
| Disposals | - | - | (30,102) | - | (10,779) | - | - | (40,881) |
| Transfer to assets held for sale | - | - | - | - | 184,955 | - | - | 184,955 |
| Balance as of September 30, 2013 | 132,512 | 1,331,129 | 307,187 | 174,204 | 21,898,658 | 320,757 | - | 24,164,447 |
| Property, systems and equipment, net | 298,478 | 2,025,752 | 78,710 | 48,282 | 9,352,990 | 108,588 | 995,998 | 12,908,798 |

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

Non-current assets held for sale

Certain of the Company's communications towers are presented as held for sale due to a formal plan to sell these assets. The sale took place on January 31, 2013. As of December 31, 2012 assets held for sale amounted to \$460,462 less liabilities (decommissioning and remediation obligations) of \$281,808.

(8) Transactions and balances with related parties

The transactions with related parties during the nine-month periods ended September 30, 2013 and 2012 are as follows:

| | | <u>2013</u> | <u>2012</u> |
|--|----|-------------|-------------|
| Banamex: | | | |
| Telecommunication service revenues | Ps | 437,977 | 394,263 |
| Commission and administrative services | | 12,953 | 10,773 |
| Interest expense | | 17,289 | 29,475 |
| Other related parties: | | | |
| Rent expense | | 28,519 | 31,318 |
| Installation service expense | | 31,476 | 23,950 |
| Other | | 1,377 | 2,051 |

The balances with related parties as of September 30, 2013 and December 31, 2012, included in accounts payable are as follows:

| | September 30, 2013 | December 31, 2012 |
|--|-------------------------------|------------------------------|
| Accounts payable short-term: | | |
| Banco Nacional de México, S.A. ⁽¹⁾ | Ps 435,774 | 434,693 |
| Instalaciones y Desconexiones Especializadas, S.A. de C.V. ⁽²⁾ | 1,101 | 991 |
| GEN Industrial, S.A. de C.V. ⁽²⁾ | 19 | 73 |
| | <hr/> | <hr/> |
| Total | Ps <u>436,894</u> | <u>435,757</u> |
| Accounts payable 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 in November 2006. Under this contract, the Company provides telecommunications services (including, local, long distance and other services) to Banamex and its affiliates located in Mexico.

⁽²⁾ Mainly rents and other administrative services.

(9) Stockholders' equity

As of September 30, 2013, the common stock of the Company is Ps 6,625,919. The Company has 8,770,467,252 shares issued and outstanding. Company's shares are divided in two Series: Series A and B; both Series have two type of classes, Class "I" and Class "II", with no par value. Of the total shares, 97,750,656 are series A and 8,672,716,596 series B. At June 30, 2013 the Company has issued only Class "I".

In connection with the issuance of the convertible bond into shares held on January 31, 2013, and in accordance with the resolutions adopted by 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. To the extent that such shares are subscribed in the terms indicated will be considered subscribed and paid.

(10) Commitments and contingencies

As of September 30, 2013, the Company has the following commitments and contingencies:

- (a) **Interconnection Disagreements – Mobile Carriers – Years 2005 to 2007.** On the second quarter of the year 2007, and the first quarter of the year 2008, the Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*) ("**Cofetel**") ruled interconnection disagreements between the Company and the following mobile carriers: Radiomovil Dipsa, S.A. de C.V. ("**Telcel**"), Iusacell PCS, S.A. de C.V. and others ("**Grupo Iusacell**"), Pegaso PCS, S.A. de C.V. and others ("**Grupo Telefonica**") and Operadora Unefon, S.A. de C.V. ("**Unefon**").

With respect to Telcel, when the Cofetel issued the ruling where it determined the interconnection tariffs for the years 2005 to 2007, both Telcel and Axtel challenged such ruling via amparo trial, such trial being attracted by the Supreme Court of Justice (*Suprema Corte de Justicia de la Nación*) ("**SCJN**"). The SCJN decided, in public sessions that took place on February 25, 26 and 28 of the year 2013, to deny the amparo trials filed by the Company and Telcel, and therefore confirming the ruling issued in the past by Cofetel. The result of this amparo trial, do not creates an economic contingency for the Company due to the fact that during the years 2005, 2006 and 2007, the Company paid the interconnection tariffs set forth by the Cofetel in the above mentioned disagreements.

With respect to Grupo Iusacell, Grupo Telefonica and Unefon, the Company filed an administrative review proceeding, wich was resolved on September 1, 2008 by the Department of Communications

and Transportation (*Secretaría de Comunicaciones y Transportes*) (“SCT”). The SCT decided to revoke the resolutions issued by the Cofetel, and established cost based tariffs for the years 2006 and 2007.

The above mentioned mobile carriers challenged the resolutions issued by the SCT via amparo trial, and on February 2012, the SCJN ruled that the SCT had no standing to decide on the administrative review proceedings filed by Axtel, and that the Cofetel is the authority that should rule on these administrative review proceedings.

Cofetel ruled in June 2013 the appeals mentioned above, confirming the rates established in the original resolution. The result of this resolution does not generate economic contingency for the Company once in years 2005, 2006 and 2007, the Company paid interconnection rates determined by Cofetel.

- (b) **Interconnection Disagreements – Mobile Carriers – Years 2008 to 2011.** With respect to Telcel, the Company filed an interconnection disagreement early on the year 2008, such proceeding being decided in first instance by the SCT, on the first day of September, 2008, which as mentioned before, arose from a proceeding filed by Axtel. In such ruling, the SCT set the cost based interconnection tariffs of \$0.5465 pesos, \$0.5060 pesos, \$0.4705 and \$0.4179 pesos for the years 2008, 2009, 2010 and 2011, respectively.

Telcel challenged the resolution issued by the SCT via amparo trial, and on February, 2012, the SCJN ruled that the SCT had no standing to decide on the administrative review proceeding filed by Axtel, and that the Cofetel is the authority that should determine such interconnection tariffs.

Due to the above mentioned SCJN ruling, the “Instituto Federal de Telecomunicaciones (IFETEL)” will have to set forth the interconnection tariffs applicable between Axtel and Telcel, and consequently, the interconnection tariffs are not yet definitely defined, due to the fact that these new rulings might be, once again, challenged by the parties involved.

With respect to Grupo Telefonica, the Cofetel determined on October 20th, 2010, the interconnection tariffs for Axtel and Grupo Telefonica applicable to the period between 2008 and 2011, which consider the same amounts set forth by the SCT in the ruling issued on September 1, 2008, that is, \$0.5465 pesos per real minute for 2008, \$0.5060 pesos for 2009, \$0.4705 pesos for 2010, and \$0.4179 pesos for 2011.

This ruling was challenged via amparo trial by Grupo Telefonica, and is currently on its first stage. Final ruling on this matter is expected on the first semester of the year 2014.

With respect to Grupo Iusacell and Unefon, the Cofetel determined the interconnection tariffs for the years of 2008 to 2010, on the second quarter of the year 2009, such determination being challenged by the Company via an administrative review proceeding, which is in the process of being solved by the Cofetel. As a result, the interconnection tariffs are not yet definitely defined, due to the fact that these new rulings might be, once again, challenged by the parties involved.

As a consequence of the rulings issued by the SCT on September 2008, the Company recognized since August 2008, the interconnection tariff of: \$0.5465 pesos, \$0.5060 pesos, \$0.4705 y \$0.4179 per real minute for Telcel, and of \$0.6032 pesos for the other mobile carriers.

The tariffs that the Company was paying prior to the rulings, was of \$1.3216 pesos per real minute to Telcel, and \$1.21 pesos per rounded minute to the other mobile carriers. As of September 30, 2013, the difference between the amounts paid by the Company according to these tariffs, and the amounts billed by the mobile carriers, amounted to approximately Ps. 2,138 million not including value added tax.

After evaluating the actual status of the foregoing proceedings, and taking into consideration the information available and the information provided by the legal advisors, the Company’s Management considers that there are enough elements to maintain the actual accounting treatment, and that at the end of the legal proceedings, the interests of the Company will prevail.

- (c) **Interconnection Disagreements – Telmex – Years 2009 to 2010.** 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 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 resolutions mentioned above, and after such date, Telmex has billed the resultant amounts, applying the new interconnection rates. As of September 30, 2013, 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.

Telmex filed for the annulment of the proceeding with 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) have a contingency in case that the Federal Tax and Administrative Court rules against the Company, and as a result, establishes rates different to those set forth by Cofetel. Telmex obtained a suspension for the application of the interconnection rates established by Cofetel, such suspension came into effect on January 26, 2010, but ceased to be in force and effect as of February 11, 2010, since the Company decided to exercise its right to leave without effect the suspension by guaranteeing any damages that could be caused to Telmex. Nonetheless, the above mentioned Court revoked the guarantee given to Telmex, taking into consideration the issuance of resolution P/140410/189, whereby Cofetel ruled the same low rates between Axtel and Telmex for the year 2010.

In January 2010, the 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, 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\$0.0126, US\$0.0105 or US\$0.0080 per minute, depending on the place where the Company delivers the long distance call. Based on this resolution, the Company paid approximately Ps. 20 million in excess. Telmex challenged the resolution before the Federal Court of Tax and Administrative Justice, and such proceeding is in an initial stage.

On May 2011, the 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, the 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 is in an initial stage.

Also, on July 2013, Cofetel ruled proceedings interconnection dispute between Telmex and the Company, related to termination rates long distance calls to Telmex Company for the years 2012, 2013 and 2014. In the administrative decision, Cofetel approved a reduction in termination rates of long distance calls. The above rates were reduced from Ps 0.04530 and Ps 0.03951 per minute to Ps 0.02731 for 2012 Ps 0.02683 for 2013 and Ps 0.02739 for 2014.

Telmex challenged that decision by amparo trial, and such proceeding is in an initial stage.

At the date of the financial statements, the Company believes that the rates determined by the Cofetel in its 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. As of September 30, 2013, 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.

- (d) The Company is involved in a number of lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position and results of operations.

Axtel, S.A.B. de C.V. reports their operations with financial derivative instruments, complementary to the 3rd Quarter 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 2013 no hedge transactions were traded by the company, however, the two operations at the end of 2012 were canceled during the 1st quarter 2013; so at the end of the 3rd quarter of 2013 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 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 retrospective (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.

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.

Changes in the risk exposure

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, 2013, the Company had no derivative instruments contracted:

| HedgeType | Notional amount | | Fair value | | Credit line (USD) |
|-----------|-----------------|---------|--------------------------|-------------------------|-------------------|
| | | | As of September 30, 2013 | As of December 31, 2012 | |
| 1 | SWAP | 464,368 | 0 | (40,299) | 0 |
| 2 | SWAP | 128,250 | 0 | (6,233) | 0 |

Sensibility analysis:

No sensibility tests were performed due to there are no derivative financial instruments operations at the end of the 3rd Quarter of 2013.

Presentation on the Financial statements:

Credit to the Comprehensive Financial Result for "Variation of the Fair Value of Derivative Financial Instruments": \$69,773 (see line 40080050 of the Income Statements).