

San Pedro Garza Garcia, Mexico, October 27, 2014 - 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, 2014<sup>(1)</sup>.

Million Pesos	Q3	Q3	3Q14/3Q13	Q2	LTM	
	2014	2013	Δ%	2014	sep-14	sep-13
Revenues <sup>(2)</sup>	2,570	2,630	-2%	2,673	11,202	9,717
Costs <sup>(3)</sup>	681	773	-12%	792	3,641	2,605
Operating Expenses <sup>(4)</sup>	1,120	1,107	1%	1,143	4,576	4,416
Adjusted EBITDA <sup>(5)</sup>	769	750	3%	739	2,985	2,695
Adj. EBITDA Margin	29.9%	28.5%	+ 141 bps	27.6%	26.7%	27.7%
Net (loss) Income	-444	-66	-577%	-187	-1,160	2,088
Earnings per CPO <sup>(6)</sup>	-0.34	-0.05	-577%	-0.14	-0.90	1.62
Capital Expenditures	748	496	51%	697	2,963	1,780
Net Debt / Adj EBITDA <sup>(7)</sup>					2.6x	2.5x

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**Highlights:**

- ❖ During the third quarter, EBITDA continued to show positive growth, increasing 3% year-over-year and 4% on a sequential basis, influenced by a 24% increase in internet and video revenues and lower interconnection rates and operating expenses.
- ❖ In August, in line with the Telecom Reform, AXTEL ceased paying termination rates to the preponderant carrier translating into improved margins for the Company and lower prices to consumers, as this benefit is gradually being embedded in more competitive commercial offers.
- ❖ In September, AXTEL successfully executed a \$150 million reopening of its 2020 Senior Secured Notes, announced since the consent solicitation requested to existing 2020 bondholders last June. Proceeds will be used for investment opportunities primarily for the enterprise and government segment and working capital requirements mostly associated to these projects.

## Sources of Revenues

Million Pesos	3Q14/3Q13			Q2 2014	LTM	LTM
	Q3 2014	Q3 2013	Δ%		sep-14	sep-13
Local	735	787	-7%	736	2,979	3,326
Long Distance	269	292	-8%	250	1,056	1,170
Internet & Video	339	274	24%	330	1,273	978
Data & Network	466	450	3%	474	1,848	1,911
Int. Service & Eq. Sale	335	565	-41%	428	2,345	1,345
Int'l. Traffic	343	156	120%	372	1,372	597
Other	84	106	-21%	84	330	390
	<b>2,570</b>	<b>2,630</b>	<b>-2%</b>	<b>2,673</b>	<b>11,202</b>	<b>9,717</b>

**Local services.** Local service revenues totaled Ps. 735 million in the third quarter of 2014, compared to Ps. 787 million for same period in 2013, representing a decrease of Ps. 52 million, explained by Ps. 22 million, Ps. 7 million and Ps. 23 million decreases in monthly rents, measured service and cellular revenues, respectively. Average customers declined 4%, contributing to a decline in monthly rents of 4%. The 17% decrease in measured services is explained by a decrease of 28% in billed-traffic volume and an increase of 15% in prices. The 17% decrease in cellular revenue is explained by a 5% decrease in prices and a 13% decline in cellular billed-traffic volume. Revenues coming from monthly rents represented 80% of local revenues during the three month period ended September 30, 2014. For the twelve month period ended September 30, 2014, local revenues totaled Ps. 2,979 million, compared to Ps. 3,326 million registered in the same period in 2013, a decrease of Ps. 347 million or 10% mostly explained by Ps. 195, Ps. 50 and Ps. 103 million declines in monthly rents, measured service and cellular revenues, respectively.

**Long distance services.** Revenues amounted to Ps. 269 million in the third quarter of 2014, compared to Ps. 292 million for same period in 2013, an 8% decrease. Billed-traffic volume declined 5% and billed-traffic prices declined 3%. For the twelve month period ended September 30, 2014, long distance revenues totaled Ps. 1,056 million compared to Ps. 1,170 million registered in 2013, a Ps. 114 million, or 10%, decline.

**Internet & Video.** Quarterly revenues totaled Ps. 339 million, compared to Ps. 274 million in the same period in 2013, a 24% or Ps. 65 million increase driven by the pay-tv service and the increase in mass market, or “on-demand” internet services revenues, which increased 11% year-over-year. During the twelve month period ended on September 30, 2014, internet and video services revenues totaled Ps. 1,273 million from Ps. 978 million registered in 2013, an increase of Ps. 296 million, or 30%.

**Data & Network.** Data and network revenues amounted to Ps. 466 million in the third quarter of 2014, compared to Ps. 450 million in the same period in 2013, a 3% or Ps. 16 million increase driven by a 12% increase in private lines. During the twelve month period ended on September 30, 2014, data and network services revenues totaled Ps. 1,848 million from Ps. 1,911 million registered in 2013, a decrease of Ps. 63 million, or 3%. Competitive pressures on prices and migration to value-added integrated services solutions explain the decline in revenues.

## Sources of Revenues

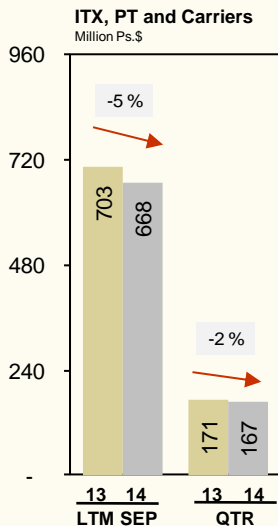
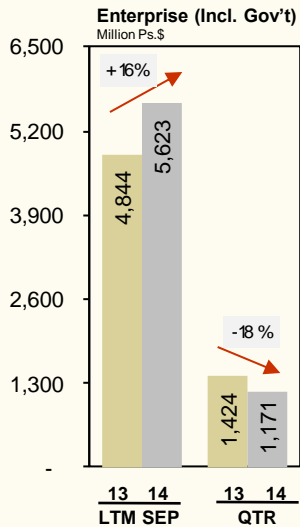
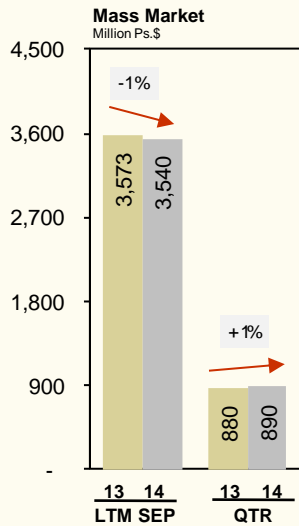
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	<b>2,570</b>	<b>2,630</b>	<b>-2%</b>	<b>2,673</b>	<b>11,202</b>	<b>9,717</b>

**Integrated Services & Equipment Sales.** Quarterly revenues totaled Ps. 335 million in the third quarter of 2014, from Ps. 565 million in the same quarter of previous year, a 41% decrease explained mostly by a decline in the amount of equipment sales to corporate and government customers. For the twelve month period ended September 30, 2014, revenues totaled Ps. 2,345 million from Ps. 1,345 million registered in 2013, an increase of Ps. 1,000 million, or 74%.

**International traffic.** In the third quarter of 2014, international traffic revenues totaled Ps. 343 million, an increase of Ps. 187 million or 120% versus the same quarter of previous year, explained by an increase in prices attributable to a change in the mix towards higher priced international fixed-to-mobile traffic and transit traffic that terminates in other countries. In peso terms, the price increase was benefited by a 3% depreciation of the Mexican peso vis-à-vis the US dollar. For the twelve month period ended September 30, 2014, revenues from international traffic totaled Ps. 1,372 million from Ps. 597 million in the same period in 2013, an increase of 130% mainly explained by increase in prices.

**Other services.** Quarterly revenues from other services totaled Ps. 84 million in the third quarter of 2014, from Ps. 106 million in the same quarter of previous year, a decrease of 21%. For the twelve month period ended September 30, 2014, revenues totaled Ps. 330 million from Ps. 390 million registered in 2013, a decrease of Ps. 60 million, or 15%.

## Revenues by segment \*



**Mass Market.** Revenues totaled Ps. 890 million in the third quarter of 2014, a 1% increase compared to the same quarter in 2013. This was mainly due to a 7% and 8% decline in both local and long distance revenues respectively, compensated by a 28% increase in internet and video services. For the twelve month period ended September 30, 2014, revenues totaled Ps. 3,540 million, a decrease of Ps. 33 million compared to the same period in 2013.

**Enterprise (including Government).** Revenues for this segment amounted to Ps. 1,171 million in the three month period ended September 30, 2014, a decrease of 18% versus the same period in 2013. This is mostly explained by a 41% decrease in integrated services and equipment sales. For the twelve month period ended September 30, 2014, revenues increased 16% due to increases in integrated services.

**Interconnection, Public Telephony and Carriers.** Revenues for this segment totaled Ps. 167 million in the third quarter 2014, a 2% decrease compared to the same quarter in 2013 mainly due to 19% and 60% decreases in revenues from long distance and local services, partially compensated with a 16% increase in data and network revenues. For the twelve month period ended September 30, 2014, revenues reached Ps. 668 million, a decline of 5% compared to the same period in 2013, primarily explained by decreases in local and long distance revenues.

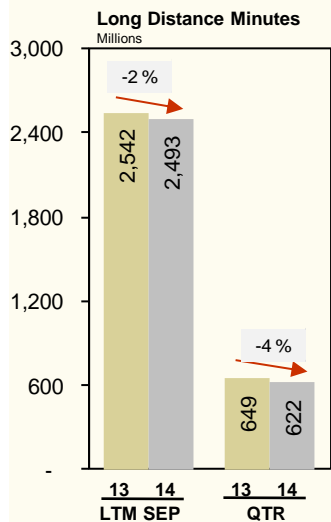
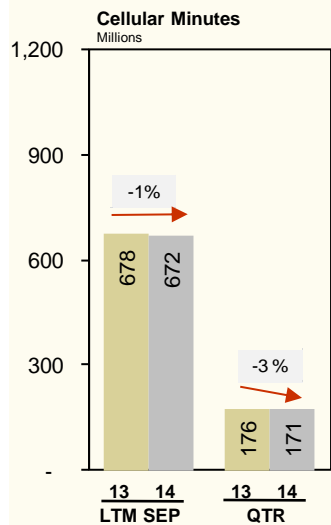
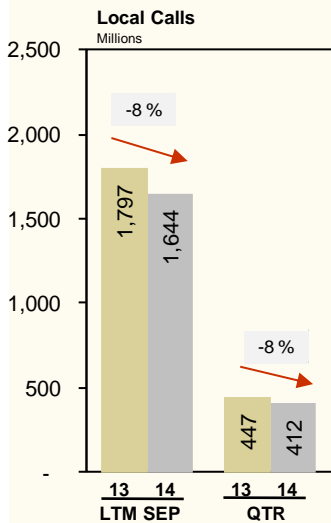
(\* ) Excludes International Traffic

## Consumption

**Local Calls.** Local calls totaled 412 million in the third quarter of 2014, compared to 447 million calls for the same period in 2013, representing a decrease of 8%. Billed local calls decreased 23 million or 28%, while local calls included in commercial offers decreased by 12 million or 3%. Residential and business customers contributed with 2 million and 21 million calls, respectively, to the decline in billed local calls. Local calls included in commercial offers represented 85% of total calls in the third quarter of 2014, compared to 81% in the year-earlier quarter. For the twelve month period ended September 30, 2014, local calls decreased 8% compared to the same period in 2013.

**Cellular (“Calling Party Pays”).** Minutes of use of calls completed to a cellular line amounted to 171 million in the three month period ended September 30, 2014, compared to 176 million in the same period in 2013, a decrease of 3%. Billed cellular minutes decreased 15 million or 13%, while minutes in modules included in a monthly rent increased 11 million minutes or 20%. Billed cellular minutes represented 63% of cellular minutes in the third quarter of 2014, compared to 70% in the year-earlier quarter. For the twelve month period ended September 30, 2014, cellular minutes declined 1% compared to the same period in 2013.

**Long distance.** Outgoing long distance minutes amounted to 622 million for the three month period ended September 30, 2014, from 649 million in the same period in 2013, a 27 million decrease resulting from 11% and 3% decreases in traffic from residential and enterprise customers respectively. Billed long distance minutes during the third quarter of 2014 declined 5% compared to the same period in 2013. Domestic long distance minutes represented 97% of total traffic during the quarter. For the twelve month period ended September 30, 2014, outgoing long distance minutes decreased 2% compared to 2013.



## Operating Data

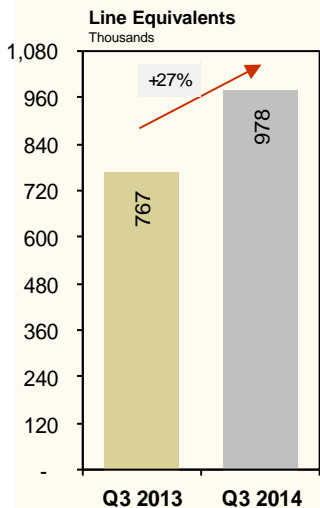
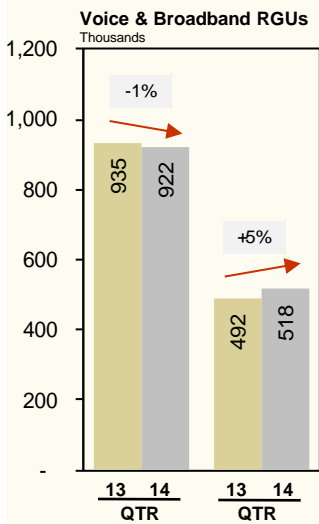
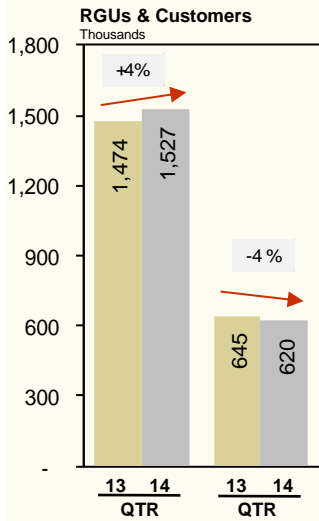
**RGUs<sup>(8)</sup> and Customers.** As of September 30, 2014, RGUs (Revenue Generating Units) totaled 1,527 thousand. During the third quarter of 2014, there were 2 thousand net additions, compared to 23 thousand net additions in the third quarter of 2013 due to a lower level of broadband net additions. As of September 30, 2014, customers totaled 620 thousand, a decline of 25 thousand from the same date in 2013. Total customers declined 8 thousand on a sequential basis.

**Voice RGUs (lines in service).** As of September 30, 2014, lines in service totaled 922 thousand. During the third quarter of 2014 and third quarter 2013, gross additional lines totaled 55 and 59 thousand respectively. Disconnections in the third quarter 2014 totaled 54 thousand compared to 64 thousand in the year-earlier quarter. Lines in service in the third quarter of 2014 decreased 6 thousand, compared to a decrease of 4 thousand in the same period of 2013. As of September 30, 2014, residential lines represented 59% of total lines in service.

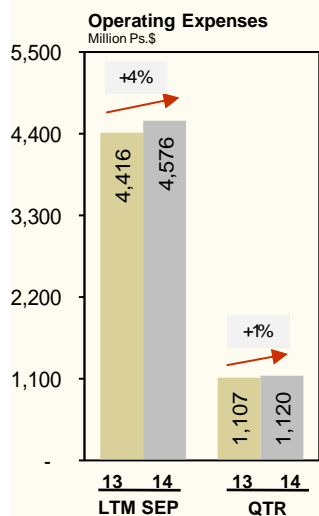
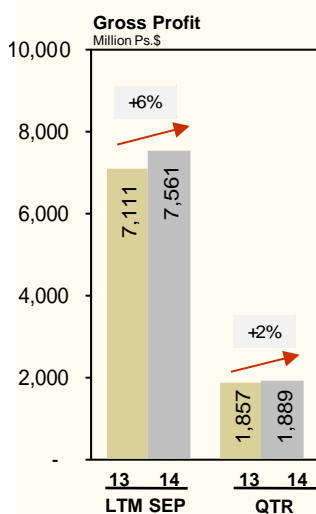
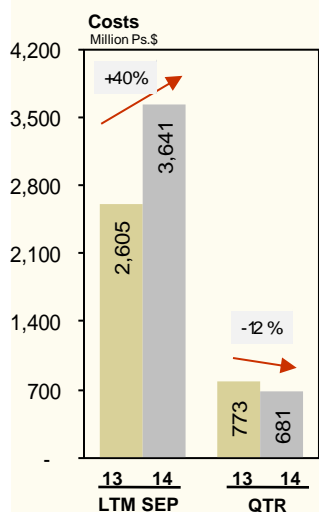
**Broadband RGUs (broadband subscribers).** Broadband subscribers increased 5% year-over-year totaling 518 thousand as of September 30, 2014. During the third quarter of 2014, broadband subscribers' net additions totaled 1 thousand compared to 12 thousand net additions in the same period of 2013. As of September 30, 2014, WiMAX broadband subs reached 345 thousand, compared to 356 thousand a year ago, while AXTEL X-tremo, or FTTH customers, totaled 172 thousand compared to 136 thousand a year ago. Broadband penetration reached 56% at the end of the third quarter of 2014, compared to 53% a year ago.

**Video subscribers.** Axtel launched its pay-television service, AXTEL TV, on January 30<sup>th</sup>, 2013, and as of September 30, 2014, video subscribers reached 87 thousand compared to 47 thousand a year ago.

**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, 2014, line equivalents totaled 978 thousand, a 27% increase.



## Cost of Revenues and Operating Expenses

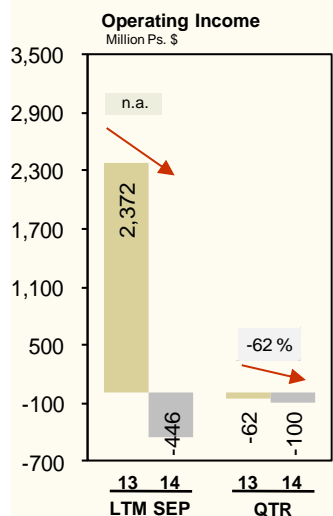
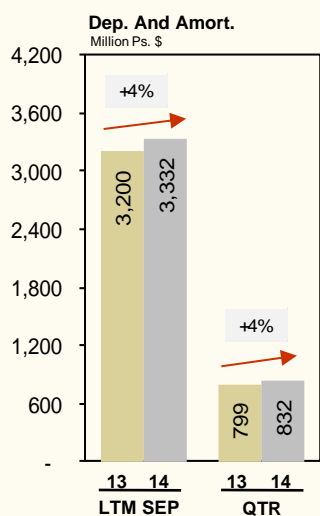
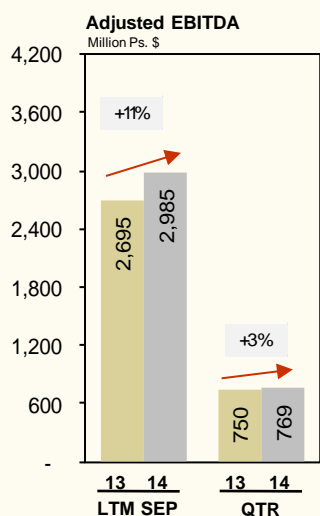


**Cost of Revenues.** For the three month period ended September 30, 2014, the cost of revenues represented Ps. 681 million, a decrease of 12% or Ps. 92 million, compared with the same period of year 2013, mainly explained by a 50% decrease in mobile and long distance costs related to the elimination of termination costs paid to the preponderant carrier and a decline in integrated services and equipment sale costs. For the twelve month period ended September 30, 2014, cost of revenues reached Ps. 3,641 million, an increase of Ps. 1,036 million in comparison with year 2013, mainly due to increases in international traffic costs.

**Gross Profit.** Gross profit is defined as revenues minus cost of revenues. For the third quarter of 2014, the gross profit accounted for Ps. 1,889 million, an increase of 2% or Ps. 32 million compared with the same period in year 2013. The gross profit margin increased from 70.6% to 73.5% year-over-year. For the twelve month period ended September 30, 2014, our gross profit totaled Ps. 7,561 million, compared to Ps. 7,111 million recorded in year 2013, an increase of Ps. 450 million or 6%.

**Operating expenses.** In the third quarter of year 2014, operating expenses totaled Ps. 1,120 million, Ps. 13 million or 1% higher than the Ps. 1,107 million recorded in the same period in year 2013, explained mainly by increases in network and customer maintenance. For the twelve month period ended September 30, 2014, operating expenses totaled Ps. 4,576 million, coming from Ps. 4,416 million in the same period in 2013, a 4% increase. Personnel represented 40% of total operating expenses in the twelve month period ended September 30, 2014.

## Adjusted EBITDA, D&A and Operating Income



**Adjusted EBITDA<sup>(5)</sup>.** The Adjusted EBITDA totaled Ps. 769 million for the three month period ended September 30, 2014, compared to Ps. 750 million for the same period in 2013. As a percentage of total revenues, Adjusted EBITDA margin represented 29.9% in the third quarter of 2014, 141 bps higher than the margin recorded in the year-earlier quarter. For the twelve month period ended September 30, 2014, Adjusted EBITDA amounted to Ps. 2,985 million, compared to Ps. 2,695 million in year 2013, an 11% increase.

**Depreciation and Amortization<sup>(9)</sup>.** Depreciation and amortization totaled Ps. 832 million in the three month period ending on September 30, 2014 compared to Ps. 799 million for the same period in year 2013. Depreciation and amortization for the twelve month period ended September 30, 2014 reached Ps. 3,332 million, from Ps. 3,200 million in the same period in year 2013, an increase of Ps. 132 million.

**Operating Income (loss).** In the three month period ended September 30, 2014, the Company recorded an operating loss of Ps. 100 million compared to an operating loss of Ps. 62 million registered in the same period in year 2013. For the twelve month period ended September 30, 2014 our operating loss reached Ps. 446 million when compared to the operating income of Ps. 2,372 million in the same period of year 2013, a decline of Ps. 2,817 million mainly explained by the gain related to the sale of the telecommunication towers in January 2013.



## CFR, Indebtedness and Cash

### Comprehensive Financing Result

Million Pesos	3Q14/3Q13			LTM		
	Q3 2014	Q3 2013	Δ%	Q2 2014	Q3 2014	Q3 2013
Net interest expense	(205)	(170)	21%	(187)	(794)	(927)
FX gain (loss), net	(274)	91	n.a.	33	(280)	0
Result from debt exchange	-	(3)	n.a.	-	29	1,540
Ch. in FV of fin. Instruments	(8)	(15)	48%	3	24	(45)
<b>Total</b>	<b>(486)</b>	<b>(97)</b>	<b>-404%</b>	<b>(151)</b>	<b>(1,021)</b>	<b>568</b>

**Comprehensive financing result.** Net interest expense for the third quarter 2014 increased Ps. 35 million due to the higher level of debt and the increase on the interest rate related to the step-up scheme of the 2020 Secured Notes. During the third quarter 2014, the peso depreciated 3% against the U.S. dollar generating a FX loss of Ps. 274 million. In the third quarter of 2013, an FX gain of Ps. 91 million was generated by a 1% peso appreciation. Concerning variations in the fair value of financial instruments, these are explained by a 19% and an 11% decrease in the price of AXTELCOPO during the third quarter of 2014 and 2013, which affected the valuation of AXTEL's position held in its own stock through the zero-strike call instruments. The Ps. 1,021 million comprehensive financing loss for year ended in September 2014, compared to a Ps. 568 million comprehensive financing gain for year ended in September 2013, is mainly explained by the gain resulting from the debt exchange in the first quarter of 2013 and an FX loss during 2014.

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

Million Pesos	Q3 2014	Q3 2013	Q2 2014
2017 Senior Notes	678	1,730	657
2019 Senior Notes	1,369	1,751	1,326
2020 Senior Secured Notes	7,328	3,235	5,143
2020 Senior Secured Convertible Notes	203	289	263
Other loans and financing obligations	344	175	314
Financial Leases	422	303	443
Notes Premium (discount)	(14)	10	(20)
Notes issuance and deferred financing costs	(60)	(29)	(16)
FV option convertible bond	(74)	(127)	(94)
<b>Total Debt</b>	<b>10,195</b>	<b>7,338</b>	<b>8,016</b>
(-) Cash and cash equivalents	(2,524)	(633)	(795)
<b>Net Debt</b>	<b>7,671</b>	<b>6,705</b>	<b>7,221</b>

**Debt.** At the end of the third quarter 2014, total debt increased Ps. 2,857 million in comparison with third quarter 2013, explained by (i) a Ps. 2,257 million net increase related to the \$150 million reopening of the 2020 notes, (ii) an increase of Ps. 274 million in leases and other financial obligations, (iii) a Ps. 56 million decrease related to the notes' discount, issuance and deferred financing costs, (iv) a Ps. 52 million increase related to the implicit derivative instrument embedded in the Senior Secured Convertible Notes and (v) a Ps. 330 million non-cash increase caused by the 3% depreciation of the Mexican peso.

**Cash.** As of the end of the third quarter of 2014, the cash and equivalents balance totaled Ps. 2,524 million, compared to Ps. 633 million a year ago, and Ps. 795 million at the beginning of the quarter. As of the end of the quarter, 82 percent of the cash balance was maintained in dollars, the rest in pesos.

### **Investments and Derivative Instruments**

**Capital Investments.** In the third quarter of 2014, capital investments totaled Ps. 748 million, or \$57 million, compared to Ps. 496 million, or \$38 million, in the year-earlier quarter. For the twelve month period ended September 30, 2014, capital investments totaled Ps. 2,963 million, or \$226 million, compared to Ps. 1,780 million, or \$140 million, for 2013.

**Other Investments.** As of September 30, 2014, 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, 2014.

	AXTEL receives	AXTEL pays	Other
<b>Zero-strike Equity Call Option</b>			
Notional Value	30.4 million AXTELCPO	Strike price: ¢1 per CPO	30.4 million AXTELCPO
Settlement			In cash
Expiration Date			January 2015
Valuation			Ps. 118.9 million

At the end of the quarter, the Company's balance sheet recorded a liability of Ps. 62 million to reflect an implicit derivative instrument embedded in its Senior Secured Convertible Notes, per applicable accounting standards.

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

- 1) We are presenting financial information based on International Financial Reporting Standards (IFRS) in nominal pesos for the following periods:
  - Consolidated income statement information for the three month periods ending on September 30, 2014 and 2013, and June 30, 2014; and twelve month period ending on September 30, 2014 and 2013, and
  - Balance sheet information as of September 30, 2014 and 2013; and June 30, 2014.
- 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 completed calls).
  - 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 and government segments.
  - v. Integrated Services & equipment sale. We generate revenues from managed telecommunications services provided to corporate customers, financial institutions and government entities and the sale of customer premises equipment (“CPE”) necessary to provide these services.
  - vi. International traffic. We generate revenues terminating international traffic from foreign carriers.
  - vii. Other services. Include, among others, memberships, late payment charges, spectrum, interconnection, activation and wiring and presubscription.
- 3) Cost of revenues include expenses related to the termination of our customers’ cellular and long distance calls in other carriers’ networks, as well as expenses related to billing, payment processing, operator services and our leasing of private circuit links.
- 4) Operating expenses include costs incurred in connection with general and administrative matters which incorporate compensation and benefits, the costs of leasing land and towers related to our operations and costs associated with sales and marketing and the maintenance of our network.
- 5) Adjusted EBITDA is defined as net income plus interest, taxes, depreciation and amortization, and further adjusted for extraordinary or non-recurrent income and expenses.
- 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 8,936,754,405 respectively, as of September 30, 2014.

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

- 7) Net Debt to Adjusted EBITDA: The figure comes from dividing the net debt at the end of the period by the respective LTM Adjusted EBITDA.
- 8) Revenue Generating Unit, or RGU, represents individual service subscriber who generates recurring revenue for the Company. Total RGUs include the sum of all lines in service, broadband service customers and video subscribers.
- 9) Depreciation and amortization includes depreciation of all communications network and equipment and amortization of pre-operating expenses and cost of spectrum licenses, among others.
- 10) Subject to market conditions, the Company's liquidity position and its contractual obligations, from time to time, the Company may acquire its senior secured and unsecured notes in the open market or in privately negotiated transactions as well as financial instruments whose underlying is related to the performance of its stock price.

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

#### **About AXTEL**

AXTEL is a Mexican telecommunications company with 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 at [axtel.mx](http://axtel.mx)

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

Unaudited Consolidated Balance Sheet

September 30, 2014 and 2013 and June 30, 2014

(figures in Thousands of Mexican pesos)

<b>ASSETS</b>	<b>September-2014</b>	<b>June-2014</b>	<b>September-2013</b>
<b>Current assets</b>			
Cash and equivalents	2,524,032	794,739	632,994
Restricted cash	-	-	-
Accounts receivable	3,343,588	3,714,694	2,967,601
Refundable taxes and other accounts receivable	321,883	302,736	272,966
Advances to suppliers	127,791	145,461	115,911
Inventories	162,923	172,523	90,771
Financial Instruments (Zero Strike Call)	118,804	146,758	121,235
Financial Instruments (others)	-	-	-
Assets classified as held for sale	-	-	-
<b>Total current assets</b>	<b>6,599,021</b>	<b>5,276,911</b>	<b>4,201,478</b>
<b>Non current assets</b>			
Property, plant and equipment, net	13,079,475	13,059,843	12,908,798
Long-term accounts receivable	255,608	281,415	360,145
Intangible assets, net	186,200	198,565	236,407
Deferred income taxes	1,403,132	1,261,275	1,066,013
Investment in assoc. Cos. & other investments	8,426	8,426	9,585
Other assets	124,818	134,954	138,922
<b>Total non current assets</b>	<b>15,057,659</b>	<b>14,944,478</b>	<b>14,719,870</b>
<b>TOTAL ASSETS</b>	<b>21,656,680</b>	<b>20,221,389</b>	<b>18,921,348</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Account payable & Accrued expenses	3,139,471	3,376,381	2,172,725
Accrued Interest	213,892	321,270	105,870
Short-term debt	130,000	130,000	-
Current portion of long-term debt	246,803	261,057	272,415
Taxes payable	230,311	199,501	323,590
Financial Instruments	133,590	123,876	-
Deferred Revenue	507,766	513,857	505,283
Provisions	-	-	-
Other accounts payable	151,565	137,522	146,273
<b>Total current liabilities</b>	<b>4,753,398</b>	<b>5,063,464</b>	<b>3,526,156</b>
<b>Long-term debt</b>			
Long-term debt	9,818,431	7,624,616	7,065,493
Derivative Financial Instruments	62,153	105,459	126,714
Employee Benefits	20,812	21,560	21,025
Deferred revenue	33,900	33,900	33,900
Other LT liabilities	241,964	267,888	352,655
<b>Total long-term debt</b>	<b>10,177,260</b>	<b>8,053,423</b>	<b>7,599,787</b>
<b>TOTAL LIABILITIES</b>	<b>14,930,658</b>	<b>13,116,887</b>	<b>11,125,943</b>
<b>STOCKHOLDERS EQUITY</b>			
Capital stock	6,716,824	6,651,225	6,625,919
Additional paid-in capital	644,710	644,710	644,710
Reserve for repurchase of shares	162,334	162,334	162,334
Cumulative earnings (losses)	(797,846)	(353,767)	362,442
Change in the fair value of derivative instruments	-	-	-
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>6,726,022</b>	<b>7,104,502</b>	<b>7,795,405</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>21,656,680</b>	<b>20,221,389</b>	<b>18,921,348</b>

**Axtel, S.A.B. de C.V. and Subsidiaries**  
 Unaudited Consolidated Income Statement  
 Periods ended September 30, 2014 and 2013  
 (figures in Thousands of Mexican pesos)

	Third Quarter ended September 30			LTM ended September 30		
	2014	2013	Δ%	2014	2013	Δ%
Rental, Installation, service and other income	2,570,306	2,630,210	-2%	11,202,181	9,716,505	15%
Operating cost and expenses						
Cost of sales and services	(681,056)	(773,094)	-12%	(3,640,933)	(2,605,149)	40%
Selling and administrative expenses	(1,119,813)	(1,106,856)	1%	(4,575,855)	(4,415,958)	4%
Other income (expenses), net	(36,670)	(13,010)	182%	(99,359)	(234,418)	-58%
Gain in sale of telecommunication towers	-	-	n.a.	-	3,110,632	n.a.
Depreciation and amortization	(832,455)	(798,905)	4%	(3,331,880)	(3,200,094)	4%
	(2,669,994)	(2,691,865)	-1%	(11,648,027)	(7,344,987)	59%
Operating income (loss)	(99,688)	(61,655)	62%	(445,846)	2,371,518	n.a.
Comprehensive financing result:						
Interest expense	(208,884)	(174,283)	20%	(809,538)	(943,755)	-14%
Interest income	3,937	4,525	-13%	15,591	17,019	-8%
Foreign exchange gain (loss), net	(273,781)	91,269	n.a.	(279,892)	211	n.a.
Result from the exchange of debt, net	-	(3,227)	n.a.	28,800	1,540,183	-98%
Change in the fair value of derivative inst.	(7,710)	(14,888)	-48%	23,632	(45,465)	n.a.
Comprehensive financing result, net	(486,438)	(96,604)	404%	(1,021,407)	568,193	n.a.
Equity in results of associated company	-	(2)	n.a.	(1,208)	(66)	>100%
Income (loss) before income taxes,	(586,126)	(158,261)	270%	(1,468,461)	2,939,645	n.a.
Income taxes:						
Current	190	(9,345)	n.a.	(28,826)	(41,328)	-30%
Deferred	141,857	101,980	39%	336,999	(810,767)	n.a.
Total income tax	142,047	92,635	53%	308,173	(852,095)	n.a.
Net Income (Loss)	(444,079)	(65,626)	577%	(1,160,288)	2,087,550	n.a.

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

International financial reporting standards Adjusted EBITDA Reconciliation  
(Figures in Thousands of Mexican pesos)

	Third Quarter ended September 30			LTM ended September 30		
	2014	2013	Δ%	2014	2013	Δ%
Net Income (Loss)	Ps.\$ (444,079)	(65,626)	577%	Ps.\$ (1,160,288)	2,087,550	n.a.
Depreciation and Amortization	(832,455)	(798,905)	4%	(3,331,880)	(3,200,094)	4%
Interest Expense, Net	(204,947)	(169,758)	21%	(793,947)	(926,736)	-14%
Total Income Tax	142,047	92,635	53%	308,173	(852,095)	n.a.
EBITDA	451,276	810,402	-44%	2,657,366	7,066,475	-62%
FX Gain (Loss), Net	(273,781)	91,269	n.a.	(279,892)	211	n.a.
Result from exchange of debt, net	-	(3,227)	n.a.	28,800	1,540,183	-98%
Ch. in fair value of derivative inst.	(7,710)	(14,888)	-48%	23,632	(45,465)	n.a.
Other income (expense), Net	(36,670)	(13,010)	182%	(99,359)	2,876,214	n.a.
Eq. Results in an asso. Co.	-	(2)	n.a.	(1,208)	(66)	>100%
Adjusted EBITDA	Ps.\$ <u>769,437</u>	<u>750,260</u>	<u>3%</u>	Ps.\$ <u>2,985,393</u>	<u>2,695,398</u>	<u>11%</u>