

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015 AND 31 DECEMBER 2014

(Thousand Pesos)

CONSOLIDATED
Final Printing

REF	ACCOUNT / SUBACCOUNT	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
10000000	TOTAL ASSETS	21,889,732	20,985,098
11000000	TOTAL CURRENT ASSETS	6,490,849	5,804,383
11010000	CASH AND CASH EQUIVALENTS	3,222,591	2,697,835
11020000	SHORT-TERM INVESTMENTS	0	0
11020010	AVAILABLE-FOR-SALE INVESTMENTS	0	0
11020020	TRADING INVESTMENTS	0	0
11020030	HELD-TO-MATURITY INVESTMENTS	0	0
11030000	TRADE RECEIVABLES, NET	2,506,452	2,426,167
11030010	TRADE RECEIVABLES	5,130,071	5,008,936
11030020	ALLOWANCE FOR DOUBTFUL ACCOUNTS	-2,623,619	-2,582,769
11040000	OTHER RECEIVABLES, NET	325,858	378,522
11040010	OTHER RECEIVABLES	325,858	378,522
11040020	ALLOWANCE FOR DOUBTFUL ACCOUNTS	0	0
11050000	INVENTORIES	64,861	67,097
11051000	BIOLOGICAL CURRENT ASSETS	0	0
11060000	OTHER CURRENT ASSETS	371,087	234,762
11060010	PREPAYMENTS	195,412	112,763
11060020	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
11060030	ASSETS AVAILABLE FOR SALE	0	0
11060050	RIGHTS AND LICENSES	0	0
11060060	OTHER	175,675	121,999
12000000	TOTAL NON-CURRENT ASSETS	15,398,883	15,180,715
12010000	ACCOUNTS RECEIVABLE, NET	205,210	230,752
12020000	INVESTMENTS	8,217	8,217
12020010	INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	8,217	8,217
12020020	HELD-TO-MATURITY INVESTMENTS	0	0
12020030	AVAILABLE-FOR-SALE INVESTMENTS	0	0
12020040	OTHER INVESTMENTS	0	0
12030000	PROPERTY, PLANT AND EQUIPMENT, NET	13,242,102	12,961,543
12030010	LAND AND BUILDINGS	430,990	430,990
12030020	MACHINERY AND INDUSTRIAL EQUIPMENT	35,594,476	34,674,215
12030030	OTHER EQUIPMENT	4,815,350	4,768,786
12030040	ACCUMULATED DEPRECIATION	-28,601,073	-27,923,323
12030050	CONSTRUCTION IN PROGRESS	1,002,359	1,010,875
12040000	INVESTMENT PROPERTY	0	0
12050000	BIOLOGICAL NON- CURRENT ASSETS	0	0
12060000	INTANGIBLE ASSETS, NET	161,717	173,959
12060010	GOODWILL	0	0
12060020	TRADEMARKS	0	0
12060030	RIGHTS AND LICENSES	0	0
12060031	CONCESSIONS	133,944	144,025
12060040	OTHER INTANGIBLE ASSETS	27,773	29,934
12070000	DEFERRED TAX ASSETS	1,647,262	1,675,202
12080000	OTHER NON-CURRENT ASSETS	134,375	131,042
12080001	PREPAYMENTS	83,170	79,876
12080010	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
12080020	EMPLOYEE BENEFITS	0	0
12080021	AVAILABLE FOR SALE ASSETS	0	0
12080040	DEFERRED CHARGES	0	0
12080050	OTHER	51,205	51,166
20000000	TOTAL LIABILITIES	15,971,919	15,279,380
21000000	TOTAL CURRENT LIABILITIES	4,426,223	4,311,915
21010000	BANK LOANS	130,000	130,000
21020000	STOCK MARKET LOANS	0	0
21030000	OTHER LIABILITIES WITH COST	362,535	220,554
21040000	TRADE PAYABLES	2,566,768	2,347,302
21050000	TAXES PAYABLE	551,814	363,351
21050010	INCOME TAX PAYABLE	551,814	363,351
21050020	OTHER TAXES PAYABLE	0	0
21060000	OTHER CURRENT LIABILITIES	815,106	1,250,708

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015 AND 31 DECEMBER 2014

(Thousand Pesos)

CONSOLIDATED
Final Printing

REF	ACCOUNT / SUBACCOUNT	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
21060010	INTEREST PAYABLE	268,244	458,822
21060020	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
21060030	DEFERRED REVENUE	433,066	695,868
21060050	EMPLOYEE BENEFITS	0	0
21060060	PROVISIONS	0	0
21060061	CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS	0	0
21060080	OTHER	113,796	96,018
22000000	TOTAL NON-CURRENT LIABILITIES	11,545,696	10,967,465
22010000	BANK LOANS	0	0
22020000	STOCK MARKET LOANS	10,549,220	10,263,419
22030000	OTHER LIABILITIES WITH COST	675,412	382,028
22040000	DEFERRED TAX LIABILITIES	0	0
22050000	OTHER NON-CURRENT LIABILITIES	321,064	322,018
22050010	DERIVATIVE FINANCIAL INSTRUMENTS	71,070	46,952
22050020	DEFERRED REVENUE	33,900	33,900
22050040	EMPLOYEE BENEFITS	25,980	25,127
22050050	PROVISIONS	0	0
22050051	NON-CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS	0	0
22050070	OTHER	190,114	216,039
30000000	TOTAL EQUITY	5,917,813	5,705,718
30010000	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	5,917,813	5,705,718
30030000	CAPITAL STOCK	6,764,271	6,728,342
30040000	SHARES REPURCHASED	0	0
30050000	PREMIUM ON ISSUANCE OF SHARES	644,710	644,710
30060000	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
30070000	OTHER CONTRIBUTED CAPITAL	0	0
30080000	RETAINED EARNINGS (ACCUMULATED LOSSES)	-1,487,377	-1,663,543
30080010	LEGAL RESERVE	0	0
30080020	OTHER RESERVES	90,000	90,000
30080030	RETAINED EARNINGS	-1,753,543	165,058
30080040	NET INCOME FOR THE PERIOD	176,166	-1,918,601
30080050	OTHERS	0	0
30090000	ACCUMULATED OTHER COMPREHENSIVE INCOME (NET OF TAX)	-3,791	-3,791
30090010	GAIN ON REVALUATION OF PROPERTIES	0	0
30090020	ACTUARIAL GAINS (LOSSES) FROM LABOR OBLIGATIONS	-3,791	-3,791
30090030	FOREING CURRENCY TRANSLATION	0	0
30090040	CHANGES IN THE VALUATION OF FINANCIAL ASSETS AVAILABLE FOR SALE	0	0
30090050	CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	0	0
30090060	CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0
30090070	SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES	0	0
30090080	OTHER COMPREHENSIVE INCOME	0	0
30020000	NON-CONTROLLING INTERESTS	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

STATEMENT OF FINANCIAL POSITION INFORMATIONAL DATA

AT 31 MARCH 2015 AND 31 DECEMBER 2014

(Thousand Pesos)

**CONSOLIDATED
Final Printing**

REF	CONCEPTS	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
91000010	SHORT-TERM FOREIGN CURRENCY LIABILITIES	1,224,305	1,504,639
91000020	LONG TERM FOREIGN CURRENCY LIABILITIES	11,032,388	10,699,874
91000030	CAPITAL STOCK (NOMINAL)	6,764,271	6,728,342
91000040	RESTATEMENT OF CAPITAL STOCK	0	0
91000050	PLAN ASSETS FOR PENSIONS AND SENIORITY PREMIUMS	0	0
91000060	NUMBER OF EXECUTIVES (*)	164	164
91000070	NUMBER OF EMPLOYEES (*)	5,887	5,564
91000080	NUMBER OF WORKERS (*)	1,166	1,172
91000090	OUTSTANDING SHARES (*)	9,172,318,625	9,067,959,874
91000100	REPURCHASED SHARES (*)	0	0
91000110	RESTRICTED CASH (1)	0	0
91000120	GUARANTEED DEBT OF ASSOCIATED COMPANIES	0	0

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

(*) DATA IN UNITS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01**

YEAR: **2015**

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

STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED

FOR THE THREE MONTHS ENDED 31 MARCH, 2015 AND 2014

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
40010000	REVENUE	2,416,113	2,416,113	2,970,756	2,970,756
40010010	SERVICES	2,416,113	2,416,113	2,970,756	2,970,756
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	482,929	482,929	1,119,189	1,119,189
40021000	GROSS PROFIT	1,933,184	1,933,184	1,851,567	1,851,567
40030000	GENERAL EXPENSES	1,845,676	1,845,676	1,976,745	1,976,745
40040000	PROFIT (LOSS) BEFORE OTHER INCOME (EXPENSE), NET	87,508	87,508	-125,178	-125,178
40050000	OTHER INCOME (EXPENSE), NET	730,388	730,388	-22,411	-22,411
40060000	OPERATING PROFIT (LOSS) (*)	817,896	817,896	-147,589	-147,589
40070000	FINANCE INCOME	36,036	36,036	6,520	6,520
40070010	INTEREST INCOME	9,847	9,847	4,313	4,313
40070020	GAIN ON FOREIGN EXCHANGE, NET	0	0	2,207	2,207
40070030	GAIN ON DERIVATIVES, NET	0	0	0	0
40070040	GAIN ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	26,189	26,189	0	0
40070050	OTHER FINANCE INCOME	0	0	0	0
40080000	FINANCE COSTS	600,699	600,699	200,671	200,671
40080010	INTEREST EXPENSE	292,254	292,254	197,173	197,173
40080020	LOSS ON FOREIGN EXCHANGE, NET	308,445	308,445	0	0
40080030	LOSS ON DERIVATIVES, NET	0	0	0	0
40080050	LOSS ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	0	0	3,498	3,498
40080060	OTHER FINANCE COSTS	0	0	0	0
40090000	FINANCE INCOME (COSTS), NET	-564,663	-564,663	-194,151	-194,151
40100000	SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
40110000	PROFIT (LOSS) BEFORE INCOME TAX	253,233	253,233	-341,740	-341,740
40120000	INCOME TAX EXPENSE	77,067	77,067	-81,835	-81,835
40120010	CURRENT TAX	49,127	49,127	2,012	2,012
40120020	DEFERRED TAX	27,940	27,940	-83,847	-83,847
40130000	PROFIT (LOSS) FROM CONTINUING OPERATIONS	176,166	176,166	-259,905	-259,905
40140000	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	0	0	0	0
40150000	NET PROFIT (LOSS)	176,166	176,166	-259,905	-259,905
40160000	PROFIT (LOSS), ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	0	0	0
40170000	PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT	176,166	176,166	-259,905	-259,905
40180000	BASIC EARNINGS (LOSS) PER SHARE	0.02	0.02	-0.03	-0.03
40190000	DILUTED EARNINGS (LOSS) PER SHARE	0	0	0.00	0.00

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01**

YEAR: **2015**

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

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

CONSOLIDATED

FOR THE THREE MONTHS ENDED 31 MARCH, 2015 AND 2014

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
40200000	NET PROFIT (LOSS)	176,166	176,166	-259,905	-259,905
	DISCLOSURES NOT BE RECLASSIFIED ON INCOME				
40210000	PROPERTY REVALUATION GAINS	0	0	0	0
40220000	ACTUARIAL EARNINGS (LOSS) FROM LABOR OBLIGATIONS	0	0	0	0
40220100	SHARE OF INCOME ON REVALUATION ON PROPERTIES OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
	DISCLOSURES MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME				
40230000	FOREING CURRENCY TRANSLATION	0	0	0	0
40240000	CHANGES IN THE VALUATION OF FINANCIAL ASSETS HELD-FOR-SALE	0	0	0	0
40250000	CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
40260000	CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0	0	0
40270000	SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
40280000	OTHER COMPREHENSIVE INCOME	0	0	0	0
40290000	TOTAL OTHER COMPREHENSIVE INCOME	0	0	0	0
40300000	TOTAL COMPREHENSIVE INCOME	176,166	176,166	-259,905	-259,905
40320000	COMPREHENSIVE INCOME, ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	0	0	0
40310000	COMPREHENSIVE INCOME, ATTRIBUTABLE TO OWNERS OF PARENT	176,166	176,166	-259,905	-259,905

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01**

YEAR: **2015**

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

STATEMENTS OF COMPREHENSIVE INCOME INFORMATIONAL DATA

CONSOLIDATED

FOR THE THREE MONTHS ENDED 31 MARCH, 2015 AND 2014

(**Thousand Pesos**)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
9200010	OPERATING DEPRECIATION AND AMORTIZATION	695,948	695,948	853,641	853,641

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01**

YEAR: **2015**

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

STATEMENTS OF COMPREHENSIVE INCOME INFORMATIONAL DATA (12 MONTHS)

CONSOLIDATED

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	YEAR	
		CURRENT	PREVIOUS
92000030	REVENUE NET (**)	10,042,361	10,968,273
92000040	OPERATING PROFIT (LOSS) (**)	465,783	-429,367
92000060	NET PROFIT (LOSS) (**)	-1,482,530	-1,043,774
92000050	PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT(**)	-1,482,530	-1,043,774
92000070	OPERATING DEPRECIATION AND AMORTIZATION (**)	3,277,389	3,265,843

(*) TO BE DEFINED BY EACH COMPANY

(**) INFORMATION LAST 12 MONTHS

MEXICAN STOCK EXCHANGE

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

QUARTER: 01 YEAR: 2015

STATEMENT OF CHANGES IN EQUITY
 (THOUSAND PESOS)

CONSOLIDATED
 Final Printing

CONCEPTS	CAPITAL STOCK	SHARES REPURCHASED	PREMIUM ON ISSUANCE OF SHARES	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	OTHER CAPITAL CONTRIBUTED	RETAINED EARNINGS (ACCUMULATED LOSSES)		ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	NON-CONTROLLING INTERESTS	TOTAL EQUITY
						RESERVES	UNAPPROPRIATE D EARNINGS (ACCUMULATED LOSSES)				
BALANCE AT JANUARY 1, 2014	6,627,890	0	644,710	0	0	162,334	92,724	0	7,527,658	0	7,527,658
RETROSPECTIVE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
APPLICATION OF COMPREHENSIVE INCOME TO RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL INCREASE (DECREASE)	17,528	0	0	0	0	0	0	0	17,528	0	17,528
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	-259,905	0	-259,905	0	-259,905
BALANCE AT MARCH 31, 2014	6,645,418	0	644,710	0	0	162,334	-167,181	0	7,285,281	0	7,285,281
BALANCE AT JANUARY 1, 2015	6,728,342	0	644,710	0	0	90,000	-1,753,543	-3,791	5,705,718	0	5,705,718
RETROSPECTIVE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
APPLICATION OF COMPREHENSIVE INCOME TO RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL INCREASE (DECREASE)	35,929	0	0	0	0	0	0	0	35,929	0	35,929
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	176,166	0	176,166	0	176,166
BALANCE AT MARCH 31, 2015	6,764,271	0	644,710	0	0	90,000	-1,577,377	-3,791	5,917,813	0	5,917,813

MEXICAN STOCK EXCHANGE

 STOCK EXCHANGE CODE: **AXTEL**

 QUARTER: **01** YEAR: **2015**
AXTEL, S.A.B. DE C.V.

STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH, 2015 AND 2014

(Thousand Pesos)

CONSOLIDATED
Final Printing

REF	ACCOUNT/SUBACCOUNT	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
OPERATING ACTIVITIES			
50010000	PROFIT (LOSS) BEFORE INCOME TAX	253,233	-341,740
50020000	+(-) ITEMS NOT REQUIRING CASH	348,844	37,691
50020010	+ ESTIMATE FOR THE PERIOD	40,399	39,898
50020020	+ PROVISION FOR THE PERIOD	0	0
50020030	+(-) OTHER UNREALISED ITEMS	308,445	-2,207
50030000	+(-) ITEMS RELATED TO INVESTING ACTIVITIES	702,678	851,339
50030010	DEPRECIATION AND AMORTISATION FOR THE PERIOD	695,948	853,641
50030020	(-)+ GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	753	-126
50030030	+(-) LOSS (REVERSAL) IMPAIRMENT	0	0
50030040	(-)+ EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES	0	0
50030050	(-) DIVIDENDS RECEIVED	0	0
50030060	(-) INTEREST RECEIVED	0	0
50030070	(-) EXCHANGE FLUCTUATION	0	0
50030080	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	5,977	-2,176
50040000	+(-) ITEMS RELATED TO FINANCING ACTIVITIES	265,512	200,348
50040010	(+) ACCRUED INTEREST	292,254	197,173
50040020	(+) EXCHANGE FLUCTUATION	0	0
50040030	(+) DERIVATIVE TRANSACTIONS	-26,189	3,498
50040040	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	-553	-323
50050000	CASH FLOWS BEFORE INCOME TAX	1,570,267	747,638
50060000	CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	-41,618	-359,522
50060010	+(-) DECREASE (INCREASE) IN TRADE ACCOUNTS RECEIVABLE	-120,684	-588,338
50060020	+(-) DECREASE (INCREASE) IN INVENTORIES	2,236	-4,967
50060030	+(-) DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE	76,350	18,045
50060040	+(-) INCREASE (DECREASE) IN TRADE ACCOUNTS PAYABLE	132,675	362,505
50060050	+(-) INCREASE (DECREASE) IN OTHER LIABILITIES	-244,171	-36,012
50060060	+(-) INCOME TAXES PAID OR RETURNED	111,976	-110,755
50070000	NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	1,528,649	388,116
INVESTING ACTIVITIES			
50080000	NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	-454,875	-634,190
50080010	(-) PERMANENT INVESTMENTS	0	-50
50080020	+ DISPOSITION OF PERMANENT INVESTMENTS	0	0
50080030	(-) INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	-453,634	-633,601
50080040	+ SALE OF PROPERTY, PLANT AND EQUIPMENT	582	569
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	-1,823	-1,108
FINANCING ACTIVITIES			
50090000	NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	-583,932	-222,546
50090010	+ BANK FINANCING	0	130,000
50090020	+ STOCK MARKET FINANCING	0	0
50090030	+ OTHER FINANCING	0	0
50090040	(-) BANK FINANCING AMORTISATION	0	0
50090050	(-) STOCK MARKET FINANCING AMORTISATION	0	0
50090060	(-) OTHER FINANCING AMORTISATION	-99,746	-34,836
50090070	+(-) INCREASE (DECREASE) IN CAPITAL STOCK	0	0
50090080	(-) DIVIDENDS PAID	0	0
50090090	+ PREMIUM ON ISSUANCE OF SHARES	0	0
50090100	+ CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
50090110	(-) INTEREST EXPENSE	-484,186	-317,710
50090120	(-) REPURCHASE OF SHARES	0	0
50090130	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED 31 MARCH, 2015 AND 2014

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF	ACCOUNT/SUBACCOUNT	CURRENT YEAR	PREVIOUS YEAR
		Amount	Amount
50100000	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	489,842	-468,620
50110000	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	34,914	4,347
50120000	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,697,835	1,292,263
50130000	CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,222,591	827,990

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

QUARTER: 01 YEAR: 2015

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

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

PAGE 1 / 10

CONSOLIDATED

Final Printing

SAN PEDRO GARZA GARCIA, MEXICO, APRIL 30, 2015 - AXTEL, S.A.B. DE C.V. ("AXTEL" OR "THE COMPANY"), A LEADING MEXICAN FIXED-LINE INTEGRATED TELECOMMUNICATIONS COMPANY, ANNOUNCED TODAY ITS UNAUDITED FIRST QUARTER RESULTS ENDED MARCH 31, 2015 (1).

FOR ADDITIONAL INFORMATION, PLEASE CONTACT ADRIAN DE LOS SANTOS, INVESTOR RELATIONS OFFICER AND CORPORATE FINANCE DIRECTOR AT IR@AXTEL.COM.MX

HIGHLIGHTS:

IN MARCH, AXTEL AND AMERICA MOVIL SIGNED AN AGREEMENT TO TERMINATE LONG-STANDING DISPUTES RELATED TO INTERCONNECTION SERVICES. AS PART OF THIS AGREEMENT, AXTEL RECEIVED A PAYMENT OF PS. 950 MILLION AND SIGNED CONTRACTS FOR THE SHARING OF TELMEX'S INFRASTRUCTURE AND THE RESALE OF MOBILE SERVICES (MVNO) WITH TELCEL.

STARTING ON JANUARY 1ST, THE BILLING OF DOMESTIC LONG-DISTANCE SERVICES WAS ELIMINATED AS MANDATED BY THE TELECOM REFORM. IN SPITE OF THIS EFFECT, ADJUSTED EBITDA INCREASED 8% COMPARED TO THE SAME QUARTER OF LAST YEAR (ADJUSTED FOR THE LONG-DISTANCE IMPACT, GROWTH WOULD HAVE BEEN 17% APPROX.), SUPPORTED BY GROWTH OF DATA AND NETWORK REVENUES FROM THE ENTERPRISE AND GOVERNMENT SEGMENT, AS WELL AS FTTH-BASED INTERNET AND VIDEO REVENUES FROM MASS MARKET CUSTOMERS.

THE POSITIVE OPERATING INCOME REPORTED THIS QUARTER WAS NOT ONLY POSITIVELY AFFECTED BY THE EXTRAORDINARY NET REVENUE FROM THE AGREEMENT WITH AMERICA MOVIL, BUT ALSO BY A LOWER DEPRECIATION EXPENSE. THE LATTER IS EXPLAINED BY THE LOWER CAPITAL EXPENDITURES IN RECENT YEARS AND THE LARGER PROPORTION OF FIBER-RELATED INVESTMENTS WHICH INCREASES THE AVERAGE LIFE OF AXTEL'S ASSETS.

REVENUES FROM OPERATIONS

REVENUES FROM OPERATIONS TOTALED PS. 2,416 MILLION IN THE FIRST QUARTER OF YEAR 2015 FROM PS. 2,971 MILLION FOR THE SAME PERIOD IN 2014, A DECREASE OF PS. 555 MILLION OR 19%.

REVENUES FROM OPERATIONS TOTALED PS. 10,042 MILLION IN THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, COMPARED TO PS. 10,968 MILLION IN THE SAME PERIOD IN 2014, A DECREASE OF PS. 926 MILLION, OR 8%.

SOURCES OF REVENUES

NOTE: DUE TO THE TELECOMMUNICATIONS REFORM, AS OF JANUARY 1ST, 2015, DOMESTIC LONG DISTANCE CHARGES WERE ELIMINATED. THEREFORE, STARTING THIS QUARTER, REVENUE SERVICES PREVIOUSLY REPORTED UNDER "LOCAL" AND "LONG DISTANCE" CATEGORIES HAVE BEEN RE-GROUPED UNDER TWO NEW CATEGORIES: "RENTS" AND "VOICE SERVICES". PLEASE SEE PAGE 11, NOTE 2 FOR MORE INFORMATION AND 2014 FIGURES FOR THESE NEW CATEGORIES.

RENTS. MONTHLY RENTS REVENUES TOTALED PS. 564 MILLION IN THE FIRST QUARTER OF 2015, COMPARED TO PS. 597 MILLION FOR SAME PERIOD IN 2014, REPRESENTING A 6% DECREASE MAINLY DUE TO A 6% DECREASE IN THE AVERAGE NUMBER OF CUSTOMERS. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, RENTS REVENUES DECREASED 3% DUE TO, AMONG OTHERS, A 4% DECLINE IN THE AVERAGE NUMBER OF LINES IN SERVICE.

VOICE SERVICES. REVENUES AMOUNTED TO PS. 275 MILLION IN THE FIRST QUARTER OF 2015, COMPARED TO PS. 410 MILLION IN THE SAME PERIOD IN 2014, A 33% DECREASE. ABOUT HALF OF

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

QUARTER: 01 YEAR: 2015

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

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

PAGE 2 / 10

CONSOLIDATED

Final Printing

THIS DECLINE IS EXPLAINED BY DECREASES IN REVENUES OF LONG DISTANCE CALLS TO BOTH FIXED AND MOBILE LINES DUE TO THE ELIMINATION OF DOMESTIC LONG DISTANCE CHARGES IN 2015. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, VOICE REVENUES TOTALED PS. 1,451 MILLION COMPARED TO PS. 1,793 MILLION REGISTERED IN 2014, A 19% DECLINE.

INTERNET & VIDEO. QUARTERLY REVENUES TOTALED PS. 356 MILLION, COMPARED TO PS. 315 MILLION IN THE SAME PERIOD IN 2014, A 13% OR PS. 40 MILLION INCREASE DRIVEN BY A 49% INCREASE IN THE PAY-TV SERVICE AND A 5% INCREASE IN MASS MARKET, OR "ON-DEMAND" INTERNET SERVICES REVENUES. DURING THE TWELVE MONTH PERIOD ENDED ON MARCH 31, 2015, INTERNET AND VIDEO SERVICES REVENUES TOTALED PS. 1,378 MILLION FROM PS. 1,130 MILLION REGISTERED IN 2014, AN INCREASE OF PS. 248 MILLION, OR 22%.

DATA & NETWORK. DATA AND NETWORK REVENUES AMOUNTED TO PS. 491 MILLION IN THE FIRST QUARTER OF 2015, COMPARED TO PS. 465 MILLION IN THE SAME PERIOD IN 2014, A 6% OR PS. 27 MILLION INCREASE DRIVEN BY A 13% INCREASE IN PRIVATE LINES AND 2% INCREASE IN DEDICATED INTERNET DUE TO A STRONGER DEMAND FOR THESE SERVICES BY ENTERPRISE CUSTOMERS. DURING THE TWELVE MONTH PERIOD ENDED ON MARCH 31, 2015, DATA AND NETWORK SERVICES REVENUES TOTALED PS. 1,925 MILLION FROM PS. 1,840 MILLION REGISTERED IN 2014, A 5% INCREASE.

INTEGRATED SERVICES & EQUIPMENT SALES. QUARTERLY REVENUES TOTALED PS. 538 MILLION IN THE FIRST QUARTER OF 2015, FROM PS. 759 MILLION IN THE SAME QUARTER OF PREVIOUS YEAR, A 29% DECREASE DUE TO AN EXTRAORDINARY LEVEL OF THESE TYPE OF SERVICES TO GOVERNMENT ENTITIES IN THE FIRST QUARTER OF 2014. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, REVENUES TOTALED PS. 1,558 MILLION FROM PS. 2,413 MILLION REGISTERED IN 2014, A 35% DECREASE.

INTERNATIONAL TRAFFIC. IN THE FIRST QUARTER OF 2015, INTERNATIONAL TRAFFIC REVENUES TOTALED PS. 133 MILLION, A DECREASE OF PS. 211 MILLION OR 61% VERSUS THE SAME QUARTER OF PREVIOUS YEAR, EXPLAINED BY DECLINES IN BOTH VOLUME AND PRICES MAINLY DUE TO THE ELIMINATION OF TRANSIT TRAFFIC, OR TRAFFIC THAT TERMINATES IN OTHER COUNTRIES AND NOT IN MEXICO. IN PESO TERMS, THE DECLINE IN REVENUES WAS PARTIALLY MITIGATED BY THE 11% DEPRECIATION OF THE MEXICAN PESO VIS-À-VIS THE US DOLLAR. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, REVENUES FROM INTERNATIONAL TRAFFIC TOTALED PS. 1,023 MILLION FROM PS. 984 MILLION IN THE SAME PERIOD IN 2014, AN INCREASE OF 4% MAINLY EXPLAINED BY A LARGER VOLUME OF HIGHER PRICED TRANSIT TRAFFIC THAT TERMINATES IN OTHER COUNTRIES.

OTHER SERVICES. QUARTERLY REVENUES FROM OTHER SERVICES TOTALED PS. 60 MILLION IN THE FIRST QUARTER OF 2015, FROM PS. 81 MILLION IN THE SAME QUARTER OF PREVIOUS YEAR, A 26% DECREASE. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, REVENUES TOTALED PS. 343 MILLION FROM PS. 364 MILLION REGISTERED IN 2014, A DECREASE OF PS. 21 MILLION, OR 6%.

REVENUES BY SEGMENT *(EXCLUDES INTERNATIONAL TRAFFIC)

MASS MARKET. REVENUES TOTALED PS. 856 MILLION IN THE FIRST QUARTER OF 2015, A 3% DECREASE COMPARED TO THE SAME QUARTER IN 2014. THIS WAS MAINLY DUE TO 3% AND 35% DECREASES IN RENTS AND VOICE REVENUES, PARTIALLY COMPENSATED BY A 14% INCREASE IN INTERNET AND VIDEO REVENUES. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, REVENUES TOTALED PS. 3,545 MILLION, A 1% INCREASE COMPARED TO THE SAME PERIOD IN 2014.

ENTERPRISE (INCLUDING GOVERNMENT). REVENUES FOR THIS SEGMENT AMOUNTED TO PS. 1,260 MILLION IN THE THREE MONTH PERIOD ENDED MARCH 31, 2015, A DECREASE OF 20% VERSUS THE SAME PERIOD IN 2014. THIS IS MOSTLY EXPLAINED BY A 34% DECREASE IN VOICE REVENUES MAINLY DUE TO THE ELIMINATION OF LONG DISTANCE CHARGES AND A 29% DECLINE IN INTEGRATED SERVICES AND EQUIPMENT SALES REVENUES DUE TO AN EXTRAORDINARY LARGE AMOUNT OF THESE REVENUES TO GOVERNMENT ENTITIES A YEAR AGO. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, REVENUES DECREASED 18% ALSO DUE TO DECLINES IN VOICE AND INTEGRATED SERVICES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

QUARTER: 01 YEAR: 2015

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

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

PAGE 3 / 10

CONSOLIDATED

Final Printing

REVENUES.

INTERCONNECTION, PUBLIC TELEPHONY AND CARRIERS. REVENUES FOR THIS SEGMENT TOTALED PS. 167 MILLION IN THE FIRST QUARTER 2015, A 2% INCREASE COMPARED TO THE SAME QUARTER IN 2014 MAINLY DUE TO AN INCREASE IN DATA AND NETWORK REVENUES. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, REVENUES REACHED PS. 714 MILLION, AN INCREASE OF 6% COMPARED TO THE SAME PERIOD IN 2014, ALSO PRIMARILY EXPLAINED BY INCREASES IN DATA AND NETWORK REVENUES.

CONSUMPTION

LOCAL CALLS. LOCAL CALLS TOTALED 383 MILLION IN THE FIRST QUARTER OF 2015, COMPARED TO 400 MILLION CALLS FOR THE SAME PERIOD IN 2014, REPRESENTING A DECREASE OF 4%. BILLED LOCAL CALLS INCREASED 68% DUE TO CERTAIN VOLUME OF DOMESTIC LONG DISTANCE CALLS NOW BEING BILLED AS LOCAL CALLS STARTING THIS QUARTER. LOCAL CALLS INCLUDED IN COMMERCIAL OFFERS DECREASED 18% AND REPRESENTED 72% OF TOTAL CALLS IN THE FIRST QUARTER OF 2015. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, LOCAL CALLS DECREASED 7% COMPARED TO THE SAME PERIOD IN 2014, DUE TO A DECREASE IN BILLED CALLS.

CELLULAR ("CALLING PARTY PAYS"). MINUTES OF USE OF CALLS COMPLETED TO A CELLULAR LINE AMOUNTED TO 410 MILLION IN THE THREE MONTH PERIOD ENDED MARCH 31, 2015, COMPARED TO 324 MILLION IN THE SAME PERIOD IN 2014, A 26% INCREASE. THIS WAS MAINLY DUE TO A 34% INCREASE IN BILLED MINUTES RELATED TO 045 BILLED CELLULAR MINUTES, PARTIALLY COMPENSATED BY A 6% DECREASE IN MINUTES IN MODULES INCLUDED IN MONTHLY RENTS. BILLED CELLULAR MINUTES REPRESENTED 86% OF CELLULAR MINUTES IN THE FIRST QUARTER OF 2015, COMPARED TO 81% IN THE YEAR-EARLIER QUARTER. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, CELLULAR MINUTES DECREASED 46% COMPARED TO THE SAME PERIOD IN 2014, MAINLY DUE TO A DECREASE IN BILLED 045 CELLULAR MINUTES.

OPERATING DATA

RGUS (8) AND CUSTOMERS. AS OF MARCH 31, 2015, RGUS (REVENUE GENERATING UNITS) TOTALED 1,465 THOUSAND. DURING THE FIRST QUARTER OF 2015, THERE WERE 46 THOUSAND NET DISCONNECTIONS, COMPARED TO 14 THOUSAND NET ADDITIONS IN THE FIRST QUARTER OF 2014 DUE TO A GREATER NUMBER OF WIRELESS DISCONNECTIONS IN 2015. AS OF MARCH 31, 2015, CUSTOMERS TOTALED 587 THOUSAND, A DECLINE OF 47 THOUSAND FROM THE SAME DATE IN 2014. TOTAL CUSTOMERS DECLINED 18 THOUSAND ON A SEQUENTIAL BASIS.

VOICE RGUS (LINES IN SERVICE). AS OF MARCH 31, 2015, LINES IN SERVICE TOTALED 878 THOUSAND. DURING THE FIRST QUARTER OF 2015 AND FIRST QUARTER 2014, GROSS ADDITIONAL LINES TOTALED 44 AND 59 THOUSAND RESPECTIVELY. DISCONNECTIONS IN THE FIRST QUARTER 2015 TOTALED 75 THOUSAND COMPARED TO 63 THOUSAND IN THE YEAR-EARLIER QUARTER. LINES IN SERVICE IN THE FIRST QUARTER OF 2015 DECREASED 31 THOUSAND, COMPARED TO A DECREASE OF 4 THOUSAND IN THE SAME PERIOD OF 2014. AS OF MARCH 31, 2015, RESIDENTIAL LINES REPRESENTED 57% OF TOTAL LINES IN SERVICE.

BROADBAND RGUS (BROADBAND SUBSCRIBERS). BROADBAND SUBSCRIBERS DECREASED 5% YEAR-OVER-YEAR TOTALING 489 THOUSAND AS OF MARCH 31, 2015. DURING THE FIRST QUARTER OF 2015, BROADBAND SUBSCRIBERS' NET DISCONNECTIONS TOTALED 20 THOUSAND COMPARED TO 8 THOUSAND NET ADDITIONS IN THE SAME PERIOD OF 2014, DUE TO A REDUCTION IN WIRELESS SUBSCRIBERS THIS QUARTER. AS OF MARCH 31, 2015, WIRELESS BROADBAND SUBS REACHED 304 THOUSAND, COMPARED TO 358 THOUSAND A YEAR AGO, WHILE AXTEL X-TREMO, OR FTTH CUSTOMERS, TOTALED 185 THOUSAND COMPARED TO 157 THOUSAND A YEAR AGO. BROADBAND PENETRATION REACHED 56% AT THE END OF THE FIRST QUARTER OF 2015, COMPARED TO 55% A YEAR AGO.

VIDEO SUBSCRIBERS. AXTEL LAUNCHED ITS PAY-TELEVISION SERVICE, AXTEL TV, ON JANUARY

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

QUARTER: 01 YEAR: 2015

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

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

PAGE 4 / 10

CONSOLIDATED

Final Printing

30TH, 2013, AND AS OF MARCH 31, 2015, VIDEO SUBSCRIBERS REACHED 99 THOUSAND COMPARED TO 70 THOUSAND A YEAR AGO, A 40% INCREASE.

LINE EQUIVALENTS (E0 EQUIVALENTS). WE OFFER FROM 64 KILOBYTES PER SECOND ("KBPS") UP TO 200 MEGABYTES PER SECOND ("MBPS") DEDICATED DATA LINKS IN ALL OF OUR THIRTY-NINE EXISTING CITIES. WE ACCOUNT FOR DATA LINKS BY CONVERTING THEM TO E0 EQUIVALENTS IN ORDER TO STANDARDIZE OUR COMPARISONS VERSUS THE INDUSTRY. AS OF MARCH 31, 2015, LINE EQUIVALENTS TOTALED 1,089 THOUSAND, A 26% INCREASE.

COST OF REVENUES AND OPERATING EXPENSES

COST OF REVENUES. FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015, THE COST OF REVENUES REPRESENTED PS. 483 MILLION, A DECREASE OF 57% OR PS. 636 MILLION, COMPARED WITH THE SAME PERIOD OF YEAR 2014, EXPLAINED BY A DECLINE IN INTERNATIONAL TRAFFIC VOLUME MAINLY DUE TO THE ELIMINATION OF TRANSIT TRAFFIC WHICH TERMINATES IN OTHER COUNTRIES; A DECLINE IN INTEGRATED SERVICES AND EQUIPMENT SALES COSTS AND DECREASES IN MOBILE AND LONG DISTANCE COSTS RELATED TO THE ELIMINATION OF TERMINATION COSTS PAID TO THE PREPONDERANT CARRIER. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, COST OF REVENUES REACHED PS. 2,461 MILLION, A DECREASE OF PS. 1,089 MILLION IN COMPARISON WITH YEAR 2014, MAINLY DUE TO DECLINES IN MOBILE AND LONG DISTANCE COSTS AND INTEGRATED SERVICES AND EQUIPMENT SALES COSTS ASSOCIATED TO A LOWER LEVEL OF REVENUES.

GROSS PROFIT. GROSS PROFIT IS DEFINED AS REVENUES MINUS COST OF REVENUES. FOR THE FIRST QUARTER OF 2015, THE GROSS PROFIT ACCOUNTED FOR PS. 1,933 MILLION, A 4% OR PS. 82 MILLION INCREASE COMPARED WITH THE SAME PERIOD IN YEAR 2014. THE GROSS PROFIT MARGIN INCREASED FROM 62.3% TO 80.0% YEAR-OVER-YEAR. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, OUR GROSS PROFIT TOTALED PS. 7,582 MILLION, COMPARED TO PS. 7,418 MILLION RECORDED IN YEAR 2014, AN INCREASE OF PS. 163 MILLION OR 2%.

OPERATING EXPENSES. IN THE FIRST QUARTER OF YEAR 2015, OPERATING EXPENSES TOTALED PS. 1,150 MILLION, PS. 27 MILLION OR 2% HIGHER THAN THE PS. 1,123 MILLION RECORDED IN THE SAME PERIOD IN YEAR 2014, EXPLAINED MAINLY BY A 24% INCREASE IN MAINTENANCE EXPENSES. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, OPERATING EXPENSES TOTALED PS. 4,504 MILLION, SIMILAR TO THE PS. 4,490 MILLION OF THE SAME PERIOD IN 2014. PERSONNEL REPRESENTED 41% OF TOTAL OPERATING EXPENSES IN THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015.

ADJUSTED EBITDA, D&A AND OPERATING INCOME

ADJUSTED EBITDA(5). THE ADJUSTED EBITDA TOTALED PS. 783 MILLION FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015, AN 8% INCREASE COMPARED TO PS. 728 MILLION FOR THE SAME PERIOD IN 2014. AS A PERCENTAGE OF TOTAL REVENUES, ADJUSTED EBITDA MARGIN REPRESENTED 32.4% IN THE FIRST QUARTER OF 2015, 791 BPS HIGHER THAN THE MARGIN RECORDED IN THE YEAR-EARLIER QUARTER. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, ADJUSTED EBITDA AMOUNTED TO PS. 3,078 MILLION, COMPARED TO PS. 2,928 MILLION IN YEAR 2014, A 5% INCREASE.

DEPRECIATION AND AMORTIZATION(9). DEPRECIATION AND AMORTIZATION TOTALED PS. 696 MILLION IN THE THREE MONTH PERIOD ENDING ON MARCH 31, 2015 COMPARED TO PS. 854 MILLION FOR THE SAME PERIOD IN YEAR 2014, A PS. 158 MILLION DECREASE DUE TO LOWER CAPITAL INVESTMENTS IN RECENT YEARS AND ALSO TO A LARGER PROPORTION OF INVESTMENTS IN FIBER WHICH INCREASES THE AVERAGE LIFE OF OUR ASSETS. DEPRECIATION AND AMORTIZATION FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015 REACHED PS. 3,277 MILLION, SIMILAR TO PS. 3,266 MILLION IN THE SAME PERIOD IN YEAR 2014.

OPERATING INCOME (LOSS). IN THE THREE MONTH PERIOD ENDED MARCH 31, 2015, THE COMPANY

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

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

PAGE 5 / 10

CONSOLIDATED

Final Printing

RECORDED AN OPERATING INCOME OF PS. 818 MILLION COMPARED TO AN OPERATING LOSS OF PS. 148 MILLION REGISTERED IN THE SAME PERIOD IN YEAR 2014, MAINLY DUE TO THE BENEFIT OBTAINED FROM THE AGREEMENTS WITH AMERICA MOVIL TO TERMINATE SEVERAL INTERCONNECTION-RELATED CLAIMS. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, OPERATING INCOME REACHED PS. 466 MILLION WHEN COMPARED TO THE OPERATING LOSS OF PS. 429 MILLION IN THE SAME PERIOD OF YEAR 2014, AN INCREASE OF PS. 895 MILLION ALSO MAINLY EXPLAINED BY THE AGREEMENT WITH AMERICA MOVIL IN THE FIRST QUARTER OF 2015.

CFR, INDEBTEDNESS, CASH, INVESTMENTS AND DERIVATIVE INSTRUMENTS

COMPREHENSIVE FINANCING RESULT. NET INTEREST EXPENSE FOR THE FIRST QUARTER 2015 INCREASED PS. 90 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 FIRST QUARTER OF 2015, THE PESO DEPRECIATED 3% AGAINST THE U.S. DOLLAR GENERATING A FX LOSS OF PS. 308 MILLION WHILE DURING THE FIRST QUARTER OF 2014 THE PESO REMAINED CONSTANT AGAINST THE U.S. DOLLAR. CONCERNING VARIATIONS IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS, THESE ARE EXPLAINED BY A 44% INCREASE AND A 5% DECREASE IN THE PRICE OF AXTELCPO DURING THE FIRST QUARTER OF 2015 AND 2014, WHICH AFFECTED THE VALUATION OF AXTEL'S POSITION HELD IN ITS OWN STOCK THROUGH THE ZERO-STRIKE CALL INSTRUMENTS. THE PS. 2,324 MILLION COMPREHENSIVE FINANCING LOSS FOR YEAR ENDED IN MARCH 2015, COMPARED TO A PS. 1,070 MILLION LOSS FOR YEAR ENDED IN MARCH 2014, IS MAINLY EXPLAINED BY AN PS. 1,384 MILLION FX LOSS DURING 2015 DUE TO A 14% DEPRECIATION OF THE PESO AGAINST THE U.S. DOLLAR.

DEBT. AT THE END OF THE FIRST QUARTER 2015, TOTAL DEBT INCREASED PS. 3,764 MILLION IN COMPARISON WITH FIRST QUARTER 2014, EXPLAINED BY (I) A PS. 1,841 MILLION NET INCREASE RELATED TO THE \$150 MILLION REOPENING OF THE 2020 NOTES, (II) AN INCREASE OF PS. 432 MILLION IN LEASES AND OTHER FINANCIAL OBLIGATIONS MOSTLY RELATED TO A PS. 325 MILLION INCREASE IN A CAPACITY LEASE SIGNED DURING THE QUARTER, (III) A PS. 87 MILLION DECREASE RELATED TO THE NOTES' DISCOUNT, ISSUANCE AND DEFERRED FINANCING COSTS, (IV) A PS. 48 MILLION INCREASE RELATED TO THE IMPLICIT DERIVATIVE INSTRUMENT EMBEDDED IN THE SENIOR SECURED CONVERTIBLE NOTES AND (V) A PS. 1,530 MILLION NON-CASH INCREASE CAUSED BY THE 14% DEPRECIATION OF THE MEXICAN PESO.

CASH. AS OF THE END OF THE FIRST QUARTER OF 2015, THE CASH AND EQUIVALENTS BALANCE TOTALED PS. 3,223 MILLION, COMPARED TO PS. 828 MILLION A YEAR AGO, AND PS. 2,698 MILLION AT THE BEGINNING OF THE QUARTER. AS OF THE END OF THE QUARTER, 45 PERCENT OF THE CASH BALANCE WAS MAINTAINED IN DOLLARS, THE REST IN PESOS.

CAPITAL INVESTMENTS. IN THE FIRST QUARTER OF 2015, CAPITAL INVESTMENTS TOTALED PS. 454 MILLION, OR \$30 MILLION, COMPARED TO PS. 634 MILLION, OR \$48 MILLION, IN THE YEAR-EARLIER QUARTER. FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015, CAPITAL INVESTMENTS TOTALED PS. 2,657 MILLION, OR \$194 MILLION, COMPARED TO PS. 2,423 MILLION, OR \$188 MILLION, FOR 2014.

OTHER INVESTMENTS. AS OF MARCH 31, 2015, THE COMPANY MAINTAINED AN ECONOMIC POSITION EQUIVALENT TO 36.0 MILLION AXTELCPOS IN ZSC.

DERIVATIVE INSTRUMENTS. THE FOLLOWING TABLE SUMMARIZES THE COMPANY'S DERIVATIVES POSITION AS OF MARCH 31, 2015.

	AXTEL RECEIVES	AXTEL PAYS	OTHER
ZERO-STRIKE EQUITY CALL OPTION NOTIONAL			30.4 MILLION AXTELCPO
VALUE	30.4 MILLION AXTELCPO	STRIKE PRICE: ¢1 PER CPO	

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

QUARTER: 01 YEAR: 2015

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

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

PAGE 6 / 10

CONSOLIDATED

Final Printing

SETTLEMENT			IN CASH
EXPIRATION DATE			JULY 2015
VALUATION			PS. 148.0 MILLION
NOTIONAL			5.6 MILLION
			AXTELCPO
VALUE	5.6 MILLION	STRIKE PRICE:	
	AXTELCPO	¢1 PER CPO	
SETTLEMENT			IN CASH
EXPIRATION DATE			JUNE 2015
VALUATION			PS. 27.5 MILLION

AT THE END OF THE QUARTER, THE COMPANY'S BALANCE SHEET RECORDED A LIABILITY OF PS. 71 MILLION TO REFLECT AN IMPLICIT DERIVATIVE INSTRUMENT EMBEDDED IN ITS SENIOR SECURED CONVERTIBLE NOTES, PER APPLICABLE ACCOUNTING STANDARDS.

FINANCIAL STATEMENTS

INFORMATION AS OF MARCH 31, 2015 COMPARED WITH INFORMATION AS OF MARCH 31, 2014

ASSETS

AS OF MARCH 31, 2015, TOTAL ASSETS SUMMED PS. 21,890 MILLION COMPARED TO PS. 19,955 MILLION AS OF MARCH 31, 2014, AN INCREASE OF PS. 1,934 MILLION, OR 10%.

CASH AND EQUIVALENTS. AS OF MARCH 31, 2015, WE HAD CASH AND CASH EQUIVALENTS OF PS. 3,223 MILLION COMPARED TO PS. 828 MILLION IN THE SAME DATE OF YEAR 2014, AN INCREASE OF PS. 2,395 MILLION OR 289%. THIS INCREASE IS MAINLY DUE TO THE US\$150 MILLION REOPENING OF THE 2020 SENIOR SECURED NOTES IN SEPTEMBER 2014 AND THE PS. 950 MILLION PAYMENT RECEIVED FROM THE AGREEMENT WITH AMERICA MOVIL THIS QUARTER.

ACCOUNTS RECEIVABLE. AS OF MARCH 31, 2015, THE ACCOUNTS RECEIVABLE WERE PS. 2,506 MILLION COMPARED WITH PS. 3,530 MILLION IN THE SAME DATE OF 2014, A DECREASE OF PS. 1,024 MILLION OR 29%.

PROPERTY, PLANT AND EQUIPMENT, NET. AS OF MARCH 31, 2015, THE NET OF DEPRECIATION VALUE OF PROPERTY, PLANT AND EQUIPMENT WAS PS. 13,242 MILLION COMPARED WITH PS. 12,989 MILLION AS OF MARCH 31, 2014, AN INCREASE OF PS. 253 MILLION OR 2%. THE PROPERTY, PLANT AND EQUIPMENT WITHOUT ADJUSTING FOR THE ACCUMULATED DEPRECIATION, WAS PS. 41,843 MILLION AND PS. 38,787 MILLION AS OF MARCH 31, 2015 AND MARCH 31, 2014, RESPECTIVELY.

LIABILITIES

TOTAL LIABILITIES WERE PS. 15,972 MILLION AS OF MARCH 31, 2015 COMPARED TO PS. 12,670 MILLION AS OF MARCH 31, 2014, AN INCREASE OF PS. 3,302 MILLION OR 26% MAINLY DRIVEN BY THE US\$150 MILLION REOPENING OF THE 2020 SECURED NOTES.

ACCOUNTS PAYABLE & ACCRUED EXPENSES. ON MARCH 31, 2015, THE ACCOUNTS PAYABLE AND ACCRUED EXPENSES WERE PS. 2,567 MILLION COMPARED WITH PS. 3,238 MILLION ON MARCH 31, 2014, A DECREASE OF PS. 671 MILLION OR 21%.

STOCKHOLDERS' EQUITY

ON MARCH 31, 2015, THE STOCKHOLDERS EQUITY OF THE COMPANY WAS PS. 5,918 MILLION COMPARED WITH PS. 7,285 MILLION AS OF MARCH 31, 2014, A DECREASE OF PS. 1,367 MILLION, OR 19%. THE CAPITAL STOCK WAS PS. 6,764 MILLION AS OF MARCH 31, 2015 COMPARED TO PS.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

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

PAGE 7 / 10

CONSOLIDATED

Final Printing

6,645 AS OF MARCH 31, 2014, A SLIGHT INCREASE MAINLY DUE TO THE CONVERSION OF SOME OF THE COMPANY'S SENIOR SECURED CONVERTIBLE NOTES DUE 2020.

LIQUIDITY AND CAPITAL RESOURCES

HISTORICALLY WE HAVE RELIED PRIMARILY ON VENDOR FINANCING, THE PROCEEDS OF THE SALE OF SECURITIES, INTERNAL CASH FROM OPERATIONS AND THE PROCEEDS FROM BANK DEBT TO FUND OUR OPERATIONS, CAPITAL EXPENDITURES AND WORKING CAPITAL REQUIREMENTS. ADDITIONALLY, AND SUBJECT TO (I) MARKET CONDITIONS, (II) OUR LIQUIDITY POSITION AND (III) CONTRACTUAL OBLIGATIONS, FROM TIME TO TIME, WE MIGHT ACQUIRE SENIOR SECURED AND UNSECURED NOTES IN THE OPEN MARKET OR IN PRIVATELY NEGOTIATED TRANSACTIONS. ALTHOUGH WE BELIEVE THAT WE WILL BE ABLE TO MEET OUR DEBT SERVICE OBLIGATIONS AND FUND OUR OPERATING REQUIREMENTS IN THE FUTURE WITH CASH FLOW FROM OPERATIONS, WE MAY SEEK ADDITIONAL FINANCING WITH COMMERCIAL BANKS OR IN THE CAPITAL MARKETS FROM TIME TO TIME DEPENDING ON MARKET CONDITIONS AND OUR FINANCIAL REQUIREMENTS. WE WILL CONTINUE TO FOCUS ON INVESTMENTS IN PROPERTY, SYSTEMS AND INFRASTRUCTURE AND WORKING CAPITAL MANAGEMENT, INCLUDING THE COLLECTION OF ACCOUNTS RECEIVABLE AND MANAGEMENT OF ACCOUNTS PAYABLE.

CASH FLOW STATEMENT

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015 COMPARED WITH THE THREE MONTH PERIOD ENDED MARCH 31, 2014

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS. 1,529 MILLION FOR THE THREE MONTH PERIOD ENDED ON MARCH 31, 2015 COMPARED TO PS. 388 MILLION RECORDED IN THE SAME PERIOD OF YEAR 2014.

NET RESOURCES (USED IN) PROVIDED BY INVESTING ACTIVITIES WERE PS. (455) MILLION FOR THE THREE MONTH PERIOD ENDED ON MARCH 31, 2015 COMPARED TO PS. (634) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2014. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS. 454 MILLION AND PS. 634 MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS. (584) MILLION FOR THE THREE MONTH PERIODS ENDED ON MARCH 31, 2015 AND PS. (223) MILLION FOR 2014.

FOR THE TWELVE MONTHS ENDED MARCH 31, 2015 COMPARED WITH TWELVE MONTHS ENDED MARCH 31, 2014

NET RESOURCES PROVIDED BY OPERATING ACTIVITIES WERE PS. 4,266 MILLION FOR THE TWELVE MONTH PERIOD ENDED ON MARCH 31, 2015 COMPARED TO PS. 2,689 MILLION RECORDED IN THE SAME PERIOD OF 2014.

NET RESOURCES (USED IN) PROVIDED BY INVESTING ACTIVITIES WERE PS. (2,668) MILLION FOR THE TWELVE MONTH PERIOD ENDED ON MARCH 31, 2015 COMPARED TO PS. (2,419) MILLION RECORDED IN THE SAME PERIOD OF YEAR 2014 DUE TO THE SALE OF THE TELECOMMUNICATION TOWERS IN JANUARY 2014. THESE FLOWS PRIMARILY REFLECT INVESTMENTS IN FIXED ASSETS OF PS. 2,657 MILLION AND PS. 2,423 MILLION, RESPECTIVELY.

NET RESOURCES (USED IN) PROVIDED BY FINANCING ACTIVITIES WERE PS. 609 MILLION DUE TO THE US\$150 MILLION REOPENING OF THE 2020 SENIOR NOTES FOR THE TWELVE MONTH PERIODS ENDED ON MARCH 31, 2015 AND PS. (281) MILLION FOR 2014.

AS OF MARCH 31, 2015, THE RATIOS OF NET DEBT TO ADJUSTED EBITDA AND INTEREST COVERAGE OF THE COMPANY WERE 2.8X AND 3.2X, RESPECTIVELY. AS MARCH 31, 2014 THE RATIOS OF NET DEBT TO ADJUSTED EBITDA AND INTEREST COVERAGE, WERE 2.4X AND 3.9X, RESPECTIVELY.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: AXTEL

QUARTER: 01 YEAR: 2015

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

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

PAGE 8 / 10

CONSOLIDATED

Final Printing

SINCE THE BEGINNING OF OPERATIONS OF THE COMPANY, AXTEL HAS INVESTED APPROXIMATELY PS. 42 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.

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 MARCH 31, 2015 AND 2014, AND DECEMBER 31, 2014; AND TWELVE MONTH PERIOD ENDING ON MARCH 31, 2015 AND 2014, AND
- BALANCE SHEET INFORMATION AS OF MARCH 31, 2015 AND 2014; AND DECEMBER 31, 2014.

2) REVENUES ARE DERIVED FROM:

I. RENTS. REVENUES ARE GENERATED FROM THE PROVISION OF CONNECTIVITY TO AXTEL'S INFRASTRUCTURE WHICH CAN DELIVER VOICE, DATA AND VIDEO SERVICES TO ITS CUSTOMERS. SERVICES ARE PROVIDED THROUGH BUNDLED COMMERCIAL OFFERS OR, IN SOME INSTANCES, AS STAND-ALONE OR ADD-ON SERVICES.

II. VOICE SERVICES. THE COMPANY MAY CHARGE CUSTOMERS A PER CALL FEE FOR LOCAL CALLS ("MEASURED SERVICE"), A PER MINUTE USAGE FEE FOR CPP CALLS, A PER MINUTE USAGE FEE FOR INTERNATIONAL LONG DISTANCE COMPLETED CALLS AND FOR SERVICES RELATED TO 800S NUMBERS FOR THE ENTERPRISE SEGMENT.

III. INTERNET & VIDEO. WE GENERATE REVENUES BY PROVIDING "ON DEMAND" INTERNET ACCESS AND VIDEO (PAY-TV) SERVICES.

IV. DATA & NETWORK. WE GENERATE REVENUES BY PROVIDING DATA, DEDICATED INTERNET AND NETWORK SERVICES, SUCH AS VIRTUAL PRIVATE NETWORKS AND PRIVATE LINES, TO THE ENTERPRISE AND GOVERNMENT SEGMENTS.

V. INTEGRATED SERVICES & EQUIPMENT SALE. WE GENERATE REVENUES FROM MANAGED TELECOMMUNICATIONS SERVICES PROVIDED TO CORPORATE CUSTOMERS, FINANCIAL INSTITUTIONS AND GOVERNMENT ENTITIES AND THE SALE OF CUSTOMER PREMISES EQUIPMENT ("CPE") NECESSARY TO PROVIDE THESE SERVICES.

VI. INTERNATIONAL TRAFFIC. WE GENERATE REVENUES TERMINATING INTERNATIONAL TRAFFIC FROM FOREIGN CARRIERS.

VII. OTHER SERVICES. INCLUDE, AMONG OTHERS, MEMBERSHIPS, LATE PAYMENT CHARGES, SPECTRUM, INTERCONNECTION, ACTIVATION AND WIRING AND PRESUBSCRIPTION.

INGRESOS - 2014

MILLONES DE PESOS	Q1 2014	Q2 2014	Q3 2014	Q4 2014
RENTS	597	595	590	616
VOICE SERVICES	410	391	414	372
INTERNET & VIDEO	315	330	339	353
DATA & NETWORK	464	474	466	494
INT. SERVICES & EQ. SALES	759	428	335	257
INTL. TRAFFIC	344	372	343	175
OTHERS	81	84	84	115
	2,971	2,673	2,570	2,383

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

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

PAGE 9 / 10

CONSOLIDATED

Final Printing

3) COST OF REVENUES INCLUDE EXPENSES RELATED TO THE TERMINATION OF OUR CUSTOMERS' CELLULAR AND LONG DISTANCE CALLS IN OTHER CARRIERS' NETWORKS, AS WELL AS EXPENSES RELATED TO BILLING, PAYMENT PROCESSING, OPERATOR SERVICES AND OUR LEASING OF PRIVATE CIRCUIT LINKS.

4) OPERATING EXPENSES INCLUDE COSTS INCURRED IN CONNECTION WITH GENERAL AND ADMINISTRATIVE MATTERS WHICH INCORPORATE COMPENSATION AND BENEFITS, THE COSTS OF LEASING LAND AND TOWERS RELATED TO OUR OPERATIONS AND COSTS ASSOCIATED WITH SALES AND MARKETING AND THE MAINTENANCE OF OUR NETWORK.

5) ADJUSTED EBITDA IS DEFINED AS NET INCOME PLUS INTEREST, TAXES, DEPRECIATION AND AMORTIZATION, AND FURTHER ADJUSTED FOR UNUSUAL OR NON-RECURRING ITEMS. FOR ADDITIONAL DETAIL ON THE ADJUSTED EBITDA RECONCILIATION, GO TO AXTEL'S WEB SITE AT AXTEL.MX

6) EARNINGS PER CPO ARE CALCULATED DIVIDING THE NET INCOME BY THE AVERAGE NUMBER OF SERIES A AND SERIES B SHARES OUTSTANDING DURING THE PERIOD DIVIDED BY SEVEN. THE NUMBER OF OUTSTANDING SERIES A AND SERIES B SHARES WAS 97,750,656 AND 9,074,567,969, RESPECTIVELY, AS OF MARCH 31, 2015.

7) NET DEBT TO ADJUSTED EBITDA: THE FIGURE COMES FROM DIVIDING THE NET DEBT AT THE END OF THE PERIOD BY THE RESPECTIVE LTM ADJUSTED EBITDA.

8) REVENUE GENERATING UNIT, OR RGU, REPRESENTS INDIVIDUAL SERVICE SUBSCRIBER WHO GENERATES RECURRING REVENUE FOR THE COMPANY. TOTAL RGUS INCLUDE THE SUM OF ALL LINES IN SERVICE, BROADBAND SERVICE CUSTOMERS AND VIDEO SUBSCRIBERS.

9) DEPRECIATION AND AMORTIZATION INCLUDES DEPRECIATION OF ALL COMMUNICATIONS NETWORK AND EQUIPMENT AND AMORTIZATION OF PRE-OPERATING EXPENSES AND COST OF SPECTRUM LICENSES, AMONG OTHERS.

10) SUBJECT TO MARKET CONDITIONS, THE COMPANY'S LIQUIDITY POSITION AND ITS CONTRACTUAL OBLIGATIONS, FROM TIME TO TIME, THE COMPANY MAY ACQUIRE ITS SENIOR SECURED AND UNSECURED NOTES IN THE OPEN MARKET OR IN PRIVATELY NEGOTIATED TRANSACTIONS.

ANALYST COVERAGE: THE ANALYSTS MENTIONED BELOW CURRENTLY COVER AXTEL S.A.B. DE C.V.

- 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
- 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.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

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

PAGE 10 / 10

CONSOLIDATED

Final Printing

AXTELCPO TRADES ON THE MEXICAN STOCK EXCHANGE SINCE 2005. AXTEL'S AMERICAN DEPOSITARY SHARES ARE ELIGIBLE FOR TRADING IN THE PORTAL MARKET, A SUBSIDIARY OF THE NASDAQ STOCK MARKET, INC.

VISIT AXTEL'S INVESTOR RELATIONS CENTER ON AXTEL.MX

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

FINANCIAL STATEMENT NOTES

PAGE 1 / 1

CONSOLIDATED

Final Printing

SEE ATTACHED FILE

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (THOUSAND PESOS)

CONSOLIDATED

Final Printing

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

NOTES

MEXICAN STOCK EXCHANGE

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

QUARTER: **01** YEAR: **2015**

BREAKDOWN OF CREDITS

(THOUSAND PESOS)

CONSOLIDATED

Final Printing

CREDIT TYPE / INSTITUTION	FOREIGN INSTITUTION (YES/NO)	CONTRACT SIGNING DATE	EXPIRATION DATE	INTEREST RATE	MATURITY OR AMORTIZATION OF CREDITS IN NATIONAL CURRENCY						MATURITY OR AMORTIZATION OF CREDITS IN FOREIGN CURRENCY					
					TIME INTERVAL						TIME INTERVAL					
					CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR OR MORE	CURRENT YEAR	UNTIL 1 YEAR	UNTIL 2 YEAR	UNTIL 3 YEAR	UNTIL 4 YEAR	UNTIL 5 YEAR OR MORE
STOCK MARKET																
LISTED STOCK EXCHANGE																
UNSECURED																
SECURED																
PRIVATE PLACEMENTS																
UNSECURED																
CTOS PRIMAS Y DCTOS EMISIO	YES				0	0	0	0	0	-124,746						
SENIOR NOTES 2017	YES	02/02/2007	01/02/2017	7.63							0	0	763,741	0	0	0
SENIOR NOTES 2019	YES	22/09/2009	22/09/2019	9							0	0	0	0	0	1,541,637
SENIOR SECURED NOTES 2020	YES	31/01/2013	31/01/2020	7,8 y 9							0	0	0	0	0	8,253,780
CONVERTIBLE NOTES 2020	YES	31/01/2013	31/01/2020	7,8 Y 9							0	0	0	0	0	114,808
SECURED																
TOTAL STOCK MARKET LISTED IN STOCK EXCHANGE AND PRIVATE PLACEMENT					0	0	0	0	0	-124,746	0	0	763,741	0	0	9,910,225

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

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			132,649	49,443	193,034	189,979	7,123	0							
OTROS PASIVOS CON COSTO	NOT									141,116	39,327	178,278	95,807	11,191		0
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES WITH COST				132,649	49,443	193,034	189,979	7,123	0	141,116	39,327	178,278	95,807	11,191		0
SUPPLIERS																
PROVEEDORES	NOT			1,821,758	0											
PROVEEDORES	NOT									689,887	0					
PROVEEDORES	YES									55,123	0					
TOTAL SUPPLIERS				1,821,758	0					745,010	0					
OTHER CURRENT AND NON-CURRENT LIABILITIES																
OTROS PASIVOS	NOT			433,840	82,414	247,918	0	0	0							
OTROS PASIVOS	NOT									267,470	31,382	73,146	0	0		0
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES				433,840	82,414	247,918	0	0	0	267,470	31,382	73,146	0	0		0
GENERAL TOTAL				2,388,247	261,857	440,952	189,979	7,123	-124,746	1,153,596	70,709	1,015,165	95,807	11,191		9,910,225

NOTES

MEXICAN STOCK EXCHANGE

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

QUARTER: **01** YEAR: **2015**

MONETARY FOREIGN CURRENCY POSITION

CONSOLIDATED

(THOUSAND PESOS)

Final Printing

FOREIGN CURRENCY POSITION (THOUSANDS OF PESOS)	DOLLARS		OTHER CURRENCIES		THOUSAND PESOS TOTAL
	THOUSANDS OF DOLLARS	THOUSAND PESOS	THOUSANDS OF DOLLARS	THOUSAND PESOS	
MONETARY ASSETS	119,635	1,812,968	0	0	1,812,968
CURRENT	119,635	1,812,968	0	0	1,812,968
NON CURRENT	0	0	0	0	0
LIABILITIES POSITION	808,799	12,256,693	0	0	12,256,693
CURRENT	80,790	1,224,305	0	0	1,224,305
NON CURRENT	728,009	11,032,388	0	0	11,032,388
NET BALANCE	-689,164	-10,443,725	0	0	-10,443,725

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

DEBT INSTRUMENTS

PAGE 1 / 2

CONSOLIDATED

Final Printing

FINANCIAL LIMITATIONS IN CONTRACT, ISSUED DEED AND / OR TITLE

- AS OF MARCH 31, 2015 INDEBTEDNESS DUE IN FEBRUARY 2017 AND SEPTEMBER 2019 (SENIOR NOTES) DOES NOT CONTEMPLATE ANY MATERIAL COVENANTS FOR THE COMPANY

- IN TERMS OF THE INDEBTEDNESS ISSUED SEPTEMBER, 2014 AND JANUARY AND DECEMBER, 2013 DUE JANUARY 2020 (SENIOR SECURED NOTES AND SENIOR SECURED CONVERTIBLE NOTES) REFERRED THE FOLLOWING COVENANTS:

- INDEBTEDNESS INCURRANCE, WHICH STATES NO ADDITIONAL DEBT IS ALLOWED IF THE COMPANY DOES NOT MAINTAIN TOTAL DEBT TO ADJUSTED EBITDA RATIO LESS THAN 4 TIMES

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

- SHORT-TERM DEBT WITH BANAMEX DUE FEBRUARY 2016 REFERRED THE FOLLOWING COVENANTS:

- MAINTAIN TOTAL DEBT TO EBITDA RATIO LESS THAN 4 TIMES.

- MAINTAIN EBITDA TO INTEREST EXPENSE RATIO GREATER THAN 2.50 TIMES.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

DEBT INSTRUMENTS

PAGE 2 / 2

CONSOLIDATED

Final Printing

ACTUAL SITUATION OF FINANCIAL LIMITED

- THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS
-

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

DISTRIBUTION OF REVENUE BY PRODUCT

CONSOLIDATED

**TOTAL INCOME
(THOUSAND PESOS)**

Final Printing

MAIN PRODUCTS OR PRODUCT LINE	NET SALES		MARKET SHARE (%)	MAIN	
	VOLUME	AMOUNT		TRADEMARKS	CUSTOMERS
NATIONAL INCOME					
rentas	0	564,167	0.00		
voz	0	274,515	0		
INTERNET Y VIDEO	0	355,457	0		
DATOS Y REDES	0	491,317	0		
SERV INTEGRADOS	0	483,512	0		
VENTA DE EQUIPO	0	54,727	0		
TRAFICO INTL.	0	132,834	0		
OTROS SERVICIOS	0	59,584	0		
EXPORT INCOME					
INCOME OF SUBSIDIARIES ABROAD					
TOTAL	0	2,416,113			

NOTES

MEXICAN STOCK EXCHANGE

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

QUARTER: 01 YEAR: 2015

ANALYSIS OF PAID CAPITAL STOCK
 CHARACTERISTICS OF THE SHARES

CONSOLIDATED

Final Printing

SERIES	NOMINAL VALUE	VALID COUPON	NUMBER OF SHARES				CAPITAL STOCK	
			FIXED PORTION	VARIABLE PORTION	MEXICAN	FREE SUBSCRIPTION	FIXED	VARIABLE
A	0.00000	0	97,750,656	0	97,750,656	0	73,396	0
B	0.00000	0	9,074,567,969	0	0	9,074,567,969	6,690,875	0
TOTAL			9,172,318,625	0	97,750,656	9,074,567,969	6,764,271	0

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

9,172,318,625

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

DERIVATIVE FINANCIAL INSTRUMENTS

PAGE 1 / 3

CONSOLIDATED

Final Printing

AXTEL, S.A.B. DE C.V. REPORTS THEIR OPERATIONS WITH FINANCIAL DERIVATIVE INSTRUMENTS, COMPLEMENTARY TO THE 1ST QUARTER 2015 FINANCIAL INFORMATION REPORT:

QUALITATIVE AND QUANTITATIVE INFORMATION:

DERIVATIVES POLICY

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

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

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

DURING THE 1ST QUARTER 2015 NO HEDGE TRANSACTIONS WERE TRADED BY THE COMPANY, SO AT THE END OF THE 1ST QUARTER 2015 THE COMPANY HAS NO OPERATIONS OF DERIVATIVE FINANCIAL INSTRUMENTS OUTSTANDING.

MARGIN CALLS, COLLATERAL AND CREDIT LINES.

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

LEVELS OF AUTHORIZATION

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

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

DERIVATIVE FINANCIAL INSTRUMENTS

PAGE 2 / 3

CONSOLIDATED

Final Printing

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

PROCEDURES OF INTERNAL CONTROL

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

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

EXTERNAL REVIEW

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

VALUATION TECHNIQUES

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

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

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

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

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

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

SOURCES OF LIQUIDITY.

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **01** YEAR: **2015**

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

DERIVATIVE FINANCIAL INSTRUMENTS

PAGE **3 / 3**

CONSOLIDATED

Final Printing

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

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

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

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

AS OF MARCH 31, 2015, THE COMPANY HAD NO DERIVATIVE INSTRUMENTS CONTRACTED:

AT THE DATE OF FINANCIAL STATEMENTS, THERE IS REGISTERED \$71,070 AS A PASSIVE POSITION, TO RECOGNIZE THE EFFECT OF TERMS AND CLAUSES OF SENIOR SECURED CONVERTIBLE NOTES ISSUED IN JANUARY 2013, THAT HAVE FEATURES OF DERIVATIVES (EMBEDDED DERIVATIVES); IN ACCORDANCE WITH THE PROVISIONS OF IAS 39.

SENSIBILITY ANALYSIS:

NO SENSIBILITY TESTS WERE PERFORMED DUE TO THERE ARE NO DERIVATIVE FINANCIAL INSTRUMENTS OPERATIONS AT THE END OF THE 1ST QUARTER OF 2015.

(1) Reporting entity

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

The Company's consolidated financial statements for the period ended March 31, 2015 and for years ended December 31, 2014 and 2013, include The Company and subsidiaries (collectively referred as "the Company" and individually as "entities of the Company")

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

(2) Significant events

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

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

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

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

(3) Basis of preparation

a) Statement of compliance

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

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

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

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

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Presentation of the consolidated statement of comprehensive income

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

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

e) Presentation of the consolidated statement of cash flows

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

(4) Significant accounting policies

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

a) Transactions eliminated on consolidation

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

b) Foreign currency transactions

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

c) Cash and cash equivalents

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

d) Financial assets

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

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

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

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

Financial assets valued at fair value through profit or loss

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

Accounts receivable and other accounts receivable

Trade accounts receivable and other accounts receivable with fixed or determinable payments that are not traded on an active market are classified as “Accounts receivable”. According to IAS 39, “*Financial Instruments: Recognition and valuation*” (“IAS 39”), concepts within this category have no explicit cost and are recognized at amortized cost, it means, the net present value of accounts receivable at the date of transaction. Due to their short maturity, the Company recognizes initially these accounts at original value less allowance for doubtful accounts. Allowance for doubtful accounts and impairment of other accounts receivable are recognized in the selling and administrative expenses in Statement of Comprehensive Income. Interest income is recognized applying the effective interest rate method.

Effective interest method

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

Write-off of financial assets

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

e) Impairment of financial instruments

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

Financial assets carried at amortized cost

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

f) Derivative financial instruments

Hedging instruments

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

Cash flow hedges

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

If the hedging instrument matures or is sold, terminated or exercised without replacement or continuous financing, or if its designation as a hedge is revoked, any cumulative gain or loss recognized directly within other comprehensive income in stockholders' equity from the effective date of the hedge, remains separated from equity until the forecasted transaction occurs when it is recognized in income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss recognized in stockholders' equity is immediately carried to profit and loss. Derivatives designated as hedges that are effective hedging instruments are classified based on the classification of the underlying. The derivative instrument is divided into a short-term portion and a long-term portion only if a reliable assignment can be performed. At March 31, 2015 and December 31, 2014 and 2013, the Company has no open positions of cash flow hedges.

Embedded derivatives

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

g) Fair value of financial instruments

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

h) Inventories and cost of sales

Inventories are stated at the lower of historical cost or net realizable value. Cost of sales include expenses related to the termination of customers' cellular and long-distance calls in other carriers' networks, as well as expenses related to billing, payment processing, operator services and our leasing of private circuit links.

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

i) Investments in associates and other equity investments

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

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

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

j) Property, systems and equipment

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

Depreciation

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

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

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

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

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

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

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

Subsequent costs

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

Borrowing costs

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

k) Intangibles assets

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

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

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

l) Impairment of non-financial assets

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

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

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

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

m) Financial liabilities

Initial recognition and measurement

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

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

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

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

Financial liabilities at fair value with changes to profit or loss

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

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

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

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

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

Financial debt and interest bearing loans

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

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

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

n) Provisions

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

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

o) Employee benefits

Short-term employee benefits

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

Seniority premiums granted to employees

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

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

Termination benefits

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

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

p) Statutory employee profit sharing

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

q) Income taxes

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

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

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

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

r) Revenue recognition

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

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

s) Earnings per share

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

t) Segments

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

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

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

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

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

- a) Useful lives of property, systems, and equipment - The Company reviews the estimated useful life of property, systems and equipment at the end of each annual period. The degree of uncertainty related to the estimated useful lives is related to the changes in market and the use of assets for production volumes and technological development.
- b) Impairment of non-financial assets - When testing assets for impairment, the Company requires estimating the value in use assigned to property, systems and equipment, and cash generating units. The calculation of value in use requires the Company to determine future cash flows generated by cash generating units and an appropriate discount rate to calculate the present value thereof. The Company uses cash inflow projections using estimated market conditions, determination of future prices of products and volumes of production and sale. Similarly, for discount rate and perpetuity

growth purposes, the Company uses market risk premium indicators and long-term growth expectations of markets where the Company operates.

- c) Allowance for doubtful accounts - The Company uses estimates to determine the allowance for doubtful accounts. The factors that the Company considers to estimate doubtful accounts are mainly the customer's financial situation risk, unsecured accounts, and considerable delays in collection according to the credit limits established.
- d) Contingencies - The Company is subject to contingent transactions or events on which it uses professional judgment in the development of estimates of occurrence probability. The factors considered in these estimates are the current legal situation as of the date of the estimate, and the external legal advisors' opinion.
- e) Deferred tax assets - Deferred tax assets are recognized for the tax loss carryforwards to the extent management believes it is recoverable through the generation of future taxable income to which it can be applied.
- f) Financial instruments recognized at fair value - In cases where fair value of financial assets and liabilities recorded in the consolidated financial statement do not arise from active markets, their fair values are determined using assessment techniques, including the discounted cash flows model. Where possible, the data for these models are supplied from observable markets, otherwise a degree of discretionary judgment is required to determine fair values. These judgments include data such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors may affect the amounts of fair values advised for financial instruments.
- g) Leases - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(6) Property, systems and equipment

Property, systems and equipment are as follows:

		Land and Building	Computer and electronic equipment	Transportation equipment	Furniture and fixtures	Network equipment	Leasehold improvements	Construction in progress	Total
Balance as of January 1, 2014	Ps	430,990	3,382,097	387,713	241,069	32,417,894	429,612	858,696	38,148,071
Additions		-	152,125	4,465	6	458,514	-	2,548,101	3,163,211
Transfer of completed projects in progress		-	161,252	4,723	16,632	2,212,733	583	(2,395,923)	-
Disposals		-	(2,131)	(20,900)	(55)	(18,231)	-	-	(41,317)
Balance as of December 31, 2014		430,990	3,693,343	376,001	257,652	35,070,910	430,195	1,010,874	41,269,965
Additions		-	-	426	-	569,543	-	393,848	963,817
Transfer of completed projects in progress		-	36,635	-	-	353,808	11,921	(402,364)	-
Disposals		-	-	(2,368)	(50)	(3,091)	-	-	(5,509)
Balance as of March 31, 2015	Ps	430,990	3,729,978	374,059	257,602	35,991,170	442,116	1,002,358	42,228,273

		Land and Building	Computer and electronic equipment	Transportation equipment	Furniture and fixtures	Network equipment	Leasehold improvements	Construction in progress	Total
Balance as of January 1, 2014	Ps	136,084	1,359,352	321,494	178,269	22,637,701	327,984	-	24,960,884
Depreciation of the year		14,284	126,316	45,036	17,577	3,152,790	24,963	-	3,380,966
Disposals		-	(2,053)	(20,115)	(30)	(11,230)	-	-	(33,428)
Balance as of December		150,368	1,483,615	346,415	195,816	25,779,261	352,947	-	28,308,422

31, 2014									
Depreciation of the year		3,571	20,563	5,274	3,861	643,512	5,142	-	681,923
Disposals		-	-	(2,368)	-	(1,806)	-	-	(4,174)
Balance as of March 31, 2015	Ps	<u>153,939</u>	<u>1,504,178</u>	<u>349,321</u>	<u>199,677</u>	<u>26,420,967</u>	<u>358,089</u>	<u>-</u>	<u>28,986,171</u>
Property, systems and equipment, net at December 31, 2014	Ps	<u>280,622</u>	<u>2,209,728</u>	<u>29,586</u>	<u>61,836</u>	<u>9,291,649</u>	<u>77,248</u>	<u>1,010,874</u>	<u>12,961,543</u>
Property, systems and equipment, net at March 31, 2015	Ps	<u>277,051</u>	<u>2,225,800</u>	<u>24,738</u>	<u>57,925</u>	<u>9,570,203</u>	<u>84,027</u>	<u>1,002,358</u>	<u>13,242,102</u>

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

(7) Transactions and balances with related parties

The transactions with related parties during the years ended December 31, 2014 and 2013 are as follows:

		<u>2015</u>	<u>2014</u>
Banamex:			
Telecommunication service revenues	Ps	150,168	140,324
Interest expense		<u>3,074</u>	<u>79</u>

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

		<u>2015</u>	<u>2014</u>
Deferred revenues short-term:			
Banco Nacional de México, S.A. ⁽¹⁾	Ps	<u>365,605</u>	<u>460,526</u>
Deferred revenues long-term:			
Banco Nacional de México, S.A. ⁽¹⁾	Ps	<u>33,900</u>	<u>33,900</u>

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

(8) Stockholders' equity

The main characteristics of stockholders' equity are described below:

(a) Capital stock structure

As of March 31, 2015, the common stock of the Company is Ps. 6,764,271. The Company has 9,138,863,812 shares issued and outstanding. Company's shares are divided in two classes, Class "I" which represent the fixed minimum portion of the capital stock, and Class "II" which represent the variable portion of the capital stock. The shares that belong to both Class "I" and Class "II" provide the holders the same economic and corporate rights (with the only difference of those rights that may be conferred under applicable law to holders of shares that form part of the variable portion of a *Sociedad Anónima Bursátil de Capital Variable*). Each of the Classes have two Series: Series "A" and "B"; both Series are indistinct and provide the same corporate and economic rights to its holders. All of the shares issued by the Company have no par value. Of the total shares issued and outstanding, 97,750,656 are Class "I" Series A and 9,041,113,156 are Class "I" Series B. As of March 31, 2015 the Company has not issued any Class "II" shares (neither Series "A" nor Series "B"). As of this date, significantly all of the Series "B" Shares issued by the Company are deposited in a trust (the "CPOs Trust").

In connection with the issuance of the convertible bond into shares held on January 31, 2013, and in accordance with the resolutions adopted at the Extraordinary General Meeting of Shareholders on January 25, 2013, the Company issued 972,814,143 Series B shares Class "I" that will be kept in the treasury of the Company, to be subsequently subscribed by the conversion of convertible bonds. During the last quarter of 2013 the conversion option was exercised for a total of 5,724,950 Series B shares representing an increase of Ps 1,970 in the capital stock of the Company.

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

(9) Commitments and contingencies

As of March 31, 2015, 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, the Supreme Court of Justice (*Suprema Corte de Justicia de la Nación*) (“SCJN”) decided to deny the amparo trials filed by the Company and Telcel, and therefore confirming the ruling issued in the past by Cofetel whereby the interconnection tariffs for the years 2005 to 2007 were determined. The result of this amparo trial, does not create 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, which was resolved on June 19, 2013 by the Cofetel whereby the previous rulings and determined tariffs only for years 2005 to 2007 were revoked, therefore annulling the tariffs set forth for the period 2008 to 2010. Such tariffs are being contested in an amparo trial. In the new resolutions, Cofetel determined a weighted average tariff, as it had initially done so with Telcel, which can be applied to Grupo Iusacell, Grupo Telefónica and Unefon if the interconnection rate were not applied and their services were being sold at a price below such rate.

It is important to note that the constitutionality of the weighted average rate for Grupo Iusacel, Grupo Telefónica and Unefon was already validated by the Second Federal Collegiate District Court in Administrative Matters Specialized in Unfair Competition, Broadcasting and Telecommunications (*Segundo Tribunal Colegiado de Circuito en Materia Administrativa Especializado en Competencia Económica, Radiodifusión y Telecomunicaciones*).

The result of the above-mentioned proceedings does not create an economic contingency for the Company due to the fact that for years 2005, 2006 and 2007, it paid the interconnection tariffs order by Cofetel in the aforementioned resolutions.

It is important to note that, regarding the decision by the courts on the issue of Weighted Average Rate, the Company presented several amparo trials concerning the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*) (“IFT”) and it has not resolved the request to determine the Weighted Average Rate as substitute interconnection rate to be applied to the termination of interconnection traffic destined for Telcel, Iusacell, Unefon and Grupo Telefonica networks.

In March 2015, Axtel signed a transaction agreement with Telcel, in which the Parties agreed to terminate disputes relating with interconnection services, giving as liquidated and totally paid all amount in dispute and/or due for the years 2005, 2006 and 2007, therefore, there is no longer a contingency for that period.

In March 2015, Axtel signed a Settlement Agreement with Grupo Iusacell, applicable to any breach, damages, punitive damages, harm, penalties, claims and legal suit of any nature, derived from or that may derive from the interconnection services rendered by Grupo Iusacell to the Company in the years 2005 to 2010, in the understanding that the Settlement includes without limitation, the late payment of the interconnection services, for any ordinary or moratory interest, penalties, or any harm or damage, whether the foregoing was or was not known by the Parties at the time of the execution of the Agreement.

- (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, therefore the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*) (“IFT”) 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 20, 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 was resolved, at first stage, to dismiss the amparo trial and denying it to Grupo Telefonica.

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

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 was challenged by the Company via an administrative review proceeding, which is in the process of being resolved by the IFT. 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 and \$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, were \$1.3216 pesos per real minute to Telcel, and \$1.21 pesos per rounded minute to the other mobile carriers.

In March 2015, Axtel signed a transaction agreement with Telcel, in which the Parties agreed to terminate disputes relating with interconnection services, giving as liquidated and totally paid all amount in dispute and/or due for the years 2005, 2006 and 2007, therefore, there is no longer a contingency for that period.

In March 2015, Axtel signed a transaction agreement with Grupo Iusacell and Unefón, in which the Parties agreed to terminate disputes relating with interconnection services, giving as liquidated and totally paid all amount in dispute and/or due for the years 2008, 2008 and 2010, therefore, there is no longer a contingency for that period.

As of March 31, 2015, the difference between the amounts paid by the Company according to these tariffs, and the amounts billed by the mobile carriers, other than those mentioned in the preceding two paragraphs, amounted to approximately Ps. 777 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 2013. In March 2009, the Cofetel resolved an interconnection disagreement proceeding existing between the Company (Axtel) and Teléfonos de México, S.A.B. de C.V. (“Telmex”) related to the rates applicable for the termination of long distance calls from the Company to Telmex with respect to year 2009. In such administrative resolution, the Cofetel approved a reduction in the rates for termination of long distance calls applicable to those cities where Telmex does not have interconnection access points. These rates were reduced from Ps. 0.75 per minute to US\$0.0105 or US\$0.0080 per minute (depending on the place where the Company delivers the long distance call).

Until June 2010 Telmex billed the Company for the termination of long distance calls, applying the rates that were applicable prior to the aforementioned resolutions, and after such date, Telmex has billed the resulting amounts, applying the new interconnection rates. As of December 31, 2014, the difference between the amounts paid by the Company to Telmex according to the new rates, and the amounts billed by Telmex, amount to approximately to Ps. 1,240 million, not including value added tax.

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

Telmex filed for the annulment of the proceeding 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) has a contingency in case the Federal Tax and Administrative Court rules against the Company, and as a result, establishes rates different from those set forth by Cofetel.

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

Telmex filed a direct amparo suit against the ruling issued within the annulment trial, which shall be resolved by the First Federal Collegiate District Court in Administrative Matters Specialized in Unfair Competition, Broadcasting and Telecommunications (*Primer Tribunal Colegiado de Circuito en Materia Administrativa Especializado en Competencia Económica, Radiodifusión y Telecomunicaciones*).

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 traffic. 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 in the evidence 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 pending for resolution.

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

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

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

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

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

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

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

- (e) 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.
- (f) On July 14, 2014, the new Federal Telecommunications and Broadcasting Law (the "LFTyR") was published in Mexico's Official Gazette (*Diario Oficial de la Federación*), which came into effect on August 13, 2014. In terms of the LFTyR, and since being in force, the previous Federal Telecommunications Law and the Federal Radio and Television Law ceased to be effective, and likewise, it was also thereby provided that all regulations and administrative provisions in such matter which were previously issued, will remain in full force and effect except when opposing the new LFTyR. In accordance with the new LFTyR, new legal obligations were established for the Company in the field of telecommunications, including the following obligations with respect to:
- (a) New rights applicable to users in general, as well as for users with disabilities.
 - (b) Collaboration with the Justice.
 - (c) Registration and reporting activities in connection with active and passive infrastructure, of installation and operation of the public telecommunications network, including the obligation to avoid charges for domestic long distance calls since January 1, 2015, in the field of advertising, and of neutrality of networks in connection with its service of internet access.

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

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