MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **02** YEAR: **2013**

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

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013 AND 31 DECEMBER 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF	ACCOUNT / SUBACCOUNT	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
10000000	**TOTAL ASSETS**	**18,923,768**	**20,500,331**
11000000	**TOTAL CURRENT ASSETS**	**3,969,644**	**3,953,722**
11010000	CASH AND CASH EQUIVALENTS	750,075	597,201
11020000	SHORT-TERM INVESMENTS	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	2,621,332	2,406,764
11030010	TRADE RECEIVABLES	4,945,815	4,614,301
11030020	ALLOWANCE FOR DOUBTFUL ACCOUNTS	-2,324,483	-2,207,537
11040000	OTHER RECEIVABLES, NET	312,081	243,217
11040010	OTHER RECEIVABLES	312,081	243,217
11040020	ALLOWANCE FOR DOUBTFUL ACCOUNTS	0	0
11050000	INVENTORIES	87,636	105,471
11051000	BIOLOGICAL CURRENT ASSETS	0	0
11060000	OTHER CURRENT ASSETS	198,520	601,069
11060010	PREPAYMENTS	62,397	52,188
11060020	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
11060030	ASSETS AVAILABLE FOR SALE	0	460,462
11060040	DISCONTINUED OPERATIONS	0	0
11060050	RIGHTS AND LICENSES	0	0
11060060	OTHER	136,123	88,419
12000000	**TOTAL NON-CURRENT ASSETS**	**14,954,124**	**16,546,609**
12010000	ACCOUNTS RECEIVABLE, NET	386,747	15,470
12020000	INVESTMENTS	9,587	9,647
12020010	INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	9,587	9,647
12020020	HELD-TO-MATURITY INVESTMENTS	0	0
12020030	AVAILABLE-FOR-SALE INVESTMENTS	0	0
12020040	OTHER INVESTMENTS	0	0
12030000	PROPERTY, PLANT AND EQUIPMENT, NET	13,199,142	13,997,994
12030010	LAND AND BUILDINGS	430,990	430,990
12030020	MACHINERY AND INDUSTRIAL EQUIPMENT	30,696,145	29,602,272
12030030	OTHER EQUIPMENT	4,331,639	4,329,151
12030040	ACCUMULATED DEPRECIATION	-23,401,055	-21,654,810
12030050	CONSTRUCTION IN PROGRESS	1,141,423	1,290,391
12040000	INVESTMENT PROPERTY	0	0
12050000	BIOLOGICAL NON- CURRENT ASSETS	0	0
12060000	INTANGIBLE ASSETS,NET	249,091	288,622
12060010	GOODWILL	0	0
12060020	TRADEMARKS	0	0
12060030	RIGHTS AND LICENSES	0	0
12060031	CONCESSIONS	204,513	224,676
12060040	OTHER INTANGIBLE ASSETS	44,578	63,946
12070000	DEFERRED TAX ASSETS	964,033	2,081,718
12080000	OTHER NON-CURRENT ASSETS	145,524	153,158
12080001	PREPAYMENTS	86,069	85,291
12080010	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
12080020	EMPLOYEE BENEFITS	0	0
12080021	AVAILABLE FOR SALE ASSETS	0	0
12080030	DISCONTINUED OPERATIONS	0	0
12080040	DEFERRED CHARGES	0	0
12080050	OTHER	59,455	67,867
20000000	**TOTAL LIABILITIES**	**11,062,737**	**15,412,057**
21000000	**TOTAL CURRENT LIABILITIES**	**3,329,897**	**4,294,526**
21010000	BANK LOANS	0	117,547
21020000	STOCK MARKET LOANS	0	0
21030000	OTHER LIABILITIES WITH COST	272,417	294,422
21040000	TRADE PAYABLES	1,822,939	2,404,471
21050000	TAXES PAYABLE	340,065	135,703
21050010	INCOME TAX PAYABLE	340,065	135,703

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **02** YEAR: **2013**

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

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013 AND 31 DECEMBER 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF	ACCOUNT / SUBACCOUNT	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
21050020	OTHER TAXES PAYABLE	0	0
21060000	OTHER CURRENT LIABILITIES	894,476	1,342,383
21060010	INTEREST PAYABLE	228,890	276,043
21060020	DERIVATIVE FINANCIAL INSTRUMENTS	0	46,532
21060030	DEFERRED REVENUE	538,872	631,298
21060050	EMPLOYEE BENEFITS	0	0
21060060	PROVISIONS	0	281,808
21060061	CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS	0	0
21060070	DISCONTINUED OPERATIONS	0	0
21060080	OTHER	126,714	106,702
22000000	**TOTAL NON-CURRENT LIABILITIES**	**7,732,840**	**11,117,531**
22010000	BANK LOANS	0	940,378
22020000	STOCK MARKET LOANS	7,100,723	9,952,727
22030000	OTHER LIABILITIES WITH COST	198,733	161,540
22040000	DEFERRED TAX LIABILITIES	0	0
22050000	OTHER NON-CURRENT LIABILITIES	433,384	62,886
22050010	DERIVATIVE FINANCIAL INSTRUMENTS	0	0
22050020	DEFERRED REVENUE	33,900	33,900
22050040	EMPLOYEE BENEFITS	20,753	19,452
22050050	PROVISIONS	0	0
22050051	NON-CURRENT LIABILITIES RELATED TO AVAILABLE FOR SALE ASSETS	0	0
22050060	DISCONTINUED OPERATIONS	0	0
22050070	OTHER	378,731	9,534
30000000	**TOTAL EQUITY**	**7,861,031**	**5,088,274**
30010000	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	7,861,031	5,088,274
30030000	CAPITAL STOCK	6,625,919	6,625,536
30040000	SHARES REPURCHASED	0	0
30050000	PREMIUM ON ISSUANCE OF SHARES	644,710	644,710
30060000	CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
30070000	OTHER CONTRIBUTED CAPITAL	0	0
30080000	RETAINED EARNINGS (ACCUMULATED LOSSES)	590,402	-2,152,621
30080010	LEGAL RESERVE	0	0
30080020	OTHER RESERVES	162,334	162,334
30080030	RETAINED EARNINGS	-2,314,955	-1,606,086
30080040	NET INCOME FOR THE PERIOD	2,743,023	-708,869
30080050	OTHERS	0	0
30090000	ACCUMULATED OTHER COMPREHENSIVE INCOME (NET OF TAX)	0	-29,351
30090010	GAIN ON REVALUATION OF PROPERTIES	0	0
30090020	ACTUARIAL GAINS (LOSSES) FROM LABOR OBLIGATIONS	0	0
30090030	FOREING CURRENCY TRANSLATION	0	0
30090040	CHANGES IN THE VALUATION OF FINANCIAL ASSETS AVAILABLE FOR SALE	0	0
30090050	CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	0	-29,351
30090060	CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0
30090070	SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES	0	0
30090080	OTHER COMPREHENSIVE INCOME	0	0
30020000	NON-CONTROLLING INTERESTS	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **02** YEAR: **2013**

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

STATEMENT OF FINANCIAL POSITION
INFORMATIONAL DATA

AT 30 JUNE 2013 AND 31 DECEMBER 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF	CONCEPTS	ENDING CURRENT	PREVIOUS YEAR END
		Amount	Amount
91000010	SHORT-TERM FOREIGN CURRENCY LIABILITIES	919,286	1,624,996
91000020	LONG TERM FOREIGN CURRENCY LIABILITIES	7,149,232	10,639,204
91000030	CAPITAL STOCK (NOMINAL)	6,625,919	6,625,536
91000040	RESTATEMENT OF CAPITAL STOCK	0	0
91000050	PLAN ASSETS FOR PENSIONS AND SENIORITY PREMIUMS	0	0
91000060	NUMBER OF EXECUTIVES (*)	178	185
91000070	NUMBER OF EMPLOYEES (*)	5,187	5,257
91000080	NUMBER OF WORKERS (*)	1,209	1,081
91000090	OUTSTANDING SHARES (*)	8,770,467,252	8,769,353,223
91000100	REPURCHASED SHARES (*)	0	0
91000110	RESTRICTED CASH (1)	0	10,709
91000120	GUARANTEED DEBT OF ASSOCIATED COMPANIES	0	0

(1) THIS CONCEPT MUST BE FILLED WHEN THERE ARE GUARANTEES OR RESTRICTIONS THAT AFECCT CASH AND CASH EQUIVALENTS
(*) DATA IN UNITS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED

FOR THE SIX AND THREE MONTHS ENDED 30 JUNE, 2013 AND 2012

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
40010000	**REVENUE**	**4,668,573**	**2,379,597**	**5,190,591**	**2,688,047**
40010010	SERVICES	4,668,573	2,379,597	5,190,591	2,688,047
40010020	SALE OF GOODS	0	0	0	0
40010030	INTERESTS	0	0	0	0
40010040	ROYALTIES	0	0	0	0
40010050	DIVIDENDS	0	0	0	0
40010060	LEASES	0	0	0	0
40010061	CONSTRUCTIONS	0	0	0	0
40010070	OTHER REVENUE	0	0	0	0
40020000	**COST OF SALES**	**1,162,768**	**609,067**	**1,444,681**	**819,985**
40021000	GROSS PROFIT	3,505,805	1,770,530	3,745,910	1,868,062
40030000	**GENERAL EXPENSES**	**3,737,850**	**1,868,545**	**3,792,676**	**1,922,058**
40040000	**PROFIT (LOSS) BEFORE OTHER INCOME (EXPENSE), NET**	**-232,045**	**-98,015**	**-46,766**	**-53,996**
40050000	**OTHER INCOME (EXPENSE), NET**	**3,080,035**	**-22,461**	**-7,289**	**-8,643**
40060000	**OPERATING PROFIT (LOSS) (*)**	**2,847,990**	**-120,476**	**-54,055**	**-62,639**
40070000	FINANCE INCOME	1,551,098	26,318	277,301	4,844
40070010	INTEREST INCOME	7,688	4,137	11,711	4,844
40070020	GAIN ON FOREIGN EXCHANGE, NET	0	0	265,590	0
40070030	GAIN ON DERIVATIVES, NET	0	0	0	0
40070040	GAIN ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	0	22,181	0	0
40070050	OTHER FINANCE INCOME	1,543,410	0	0	0
40080000	FINANCE COSTS	527,393	615,531	647,522	1,068,935
40080010	INTEREST EXPENSE	494,742	166,400	540,452	273,109
40080020	LOSS ON FOREIGN EXCHANGE, NET	10,583	446,120	0	703,090
40080030	LOSS ON DERIVATIVES, NET	0	0	0	0
40080050	LOSS ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS	22,068	0	107,070	92,736
40080060	OTHER FINANCE COSTS	0	3,011	0	0
40090000	**FINANCE INCOME (COSTS), NET**	**1,023,705**	**-589,213**	**-370,221**	**-1,064,091**
40100000	SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES	-60	-62	-16	1
40110000	**PROFIT (LOSS) BEFORE INCOME TAX**	**3,871,635**	**-709,751**	**-424,292**	**-1,126,729**
40120000	INCOME TAX EXPENSE	1,128,612	-261,226	57,600	-149,208
40120010	CURRENT TAX	23,506	-22,077	38,128	27,512
40120020	DEFERRED TAX	1,105,106	-239,149	19,472	-176,720
40130000	**PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**2,743,023**	**-448,525**	**-481,892**	**-977,521**
40140000	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	0	0	0	0
40150000	**NET PROFIT (LOSS)**	**2,743,023**	**-448,525**	**-481,892**	**-977,521**
40160000	PROFIT (LOSS), ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	0	0	0
40170000	PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT	2,743,023	-448,525	-481,892	-977,521

40180000	BASIC EARNINGS (LOSS) PER SHARE	0.31	-.05	-0.05	-0.11
40190000	DILUTED EARNINGS (LOSS) PER SHARE	0	0	0.00	0.00

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

STATEMENTS OF COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME (NET OF INCOME TAX)

CONSOLIDATED

FOR THE SIX AND THREE MONTHS ENDED 30 JUNE, 2013 AND 2012

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
40200000	**NET PROFIT (LOSS)**	**2,743,023**	**-448,525**	**-481,892**	**-977,521**
	DISCLOSURES NOT BE RECLASSIFIED ON INCOME				
40210000	PROPERTY REVALUATION GAINS	0	0	0	0
40220000	ACTUARIAL EARNINGS (LOSS) FROM LABOR OBLIGATIONS	0	0	0	0
40220100	SHARE OF INCOME ON REVALUATION ON PROPERTIES OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
	DISCLOSURES MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME				
40230000	FOREING CURRENCY TRANSLATION	0	0	0	0
40240000	CHANGES IN THE VALUATION OF FINANCIAL ASSETS HELD-FOR-SALE	0	0	0	0
40250000	CHANGES IN THE VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS	29,351	0	1,992	173,121
40260000	CHANGES IN FAIR VALUE OF OTHER ASSETS	0	0	0	0
40270000	SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES	0	0	0	0
40280000	**OTHER COMPREHENSIVE INCOME**	**0**	**0**	**0**	**0**
40290000	**TOTAL OTHER COMPREHENSIVE INCOME**	**29,351**	**0**	**1,992**	**173,121**

40300000	**TOTAL COMPREHENSIVE INCOME**	**2,772,374**	**-448,525**	**-479,900**	**-804,400**
40320000	COMPREHENSIVE INCOME, ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	0	0	0
40310000	COMPREHENSIVE INCOME, ATTRIBUTABLE TO OWNERS OF PARENT	2,772,374	-448,525	-479,900	-804,400

STATEMENTS OF COMPREHENSIVE INCOME

INFORMATIONAL DATA

CONSOLIDATED

FOR THE SIX AND THREE MONTHS ENDED 30 JUNE, 2013 AND 2012

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	CURRENT YEAR		PREVIOUS YEAR	
		ACCUMULATED	QUARTER	ACCUMULATED	QUARTER
92000010	OPERATING DEPRECIATION AND AMORTIZATION	1,605,116	798,779	1,508,414	756,809
92000020	EMPLOYEES PROFIT SHARING EXPENSES	2,478	1,239	1,881	1,881

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

STATEMENTS OF COMPREHENSIVE INCOME
INFORMATIONAL DATA (12 MONTHS)

CONSOLIDATED

FOR THE SIX AND THREE MONTHS ENDED 30 JUNE, 2013 AND 2012

(Thousand Pesos)

Final Printing

REF	ACCOUNT / SUBACCOUNT	YEAR	
		CURRENT	PREVIOUS
92000030	REVENUE NET (**)	9,667,714	10,672,129
92000040	OPERATING PROFIT (LOSS) (**)	2,367,167	-204,001
92000050	PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT(**)	2,254,820	-2,621,136
92000060	NET PROFIT (LOSS) (**)	2,254,820	-2,621,136
92000070	OPERATING DEPRECIATION AND AMORTIZATION (**)	3,169,942	3,044,418

(*) TO BE DEFINED BY EACH COMPANY
(**) INFORMATION LAST 12 MONTHS

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **02** YEAR: **2013**

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

STATEMENT OF CASH FLOWS

TO JUNE 30 OF 2013 AND 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF	ACCOUNT/SUBACCOUNT	CURREENT YEAR Amount	PREVIOUS YEAR Amount
OPERATING ACTIVITIES			
50010000	**PROFIT (LOSS) BEFORE INCOME TAX**	**3,871,635**	**-424,292**
50020000	+(-) ITEMS NOT REQUIRING CASH	127,345	-167,359
50020010	+ ESTIMATE FOR THE PERIOD	116,762	98,231
50020020	+ PROVISION FOR THE PERIOD	0	0
50020030	+(-) OTHER UNREALISED ITEMS	10,583	-265,590
50030000	+(-) ITEMS RELATED TO INVESTING ACTIVITIES	-1,476,132	1,526,786
50030010	DEPRECIATION AND AMORTISATION FOR THE PERIOD	1,605,116	1,508,414
50030020	(-)+ GAIN OR LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	-3,112,321	346
50030030	+(-) LOSS (REVERSAL) IMPAIRMENT	0	0
50030040	(-)+ EQUITY IN RESULTS OF ASSOCIATES AND JOINT VENTURES	60	16
50030050	(-) DIVIDENDS RECEIVED	0	0
50030060	(-) INTEREST RECEIVED	0	0
50030070	(-) EXCHANGE FLUCTUATION	0	0
50030080	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	31,013	18,010
50040000	+(-) ITEMS RELATED TO FINANCING ACTIVITIES	-1,027,833	661,593
50040010	(+) ACCRUED INTEREST	494,742	540,452
50040020	(+) EXCHANGE FLUCTUATION	0	0
50040030	(+) DERIVATIVE TRANSACTIONS	22,068	107,070
50040040	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	-1,544,643	14,071
50050000	**CASH FLOWS BEFORE INCOME TAX**	**1,495,015**	**1,596,728**
50060000	CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	-881,312	-777,081
50060010	+(-) DECREASE (INCREASE) IN TRADE ACCOUNTS RECEIVABLE	-331,329	-566,328
50060020	+(-) DECREASE (INCREASE) IN INVENTORIES	17,835	28,361
50060030	+(-) DECREASE (INCREASE) IN OTHER ACCOUNTS RECEIVABLE	21,585	-74,590
50060040	+(-) INCREASE (DECREASE) IN TRADE ACCOUNTS PAYABLE	-608,229	-78,940
50060050	+(-) INCREASE (DECREASE) IN OTHER LIABILITIES	-71,114	-54,055
50060060	+(-) INCOME TAXES PAID OR RETURNED	89,940	-31,529
50070000	**NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES**	**613,703**	**819,647**
INVESTING ACTIVITIES			
50080000	NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	2,424,972	-976,093
50080010	(-) PERMANENT INVESTMENTS	0	0
50080020	+ DISPOSITION OF PERMANENT INVESTMENTS	0	0
50080030	(-) INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	-738,389	-978,146
50080040	+ SALE OF PROPERTY, PLANT AND EQUIPMENT	3,157,912	0
50080050	(-) TEMPORARY INVESTMENTS	0	0
50080060	+ DISPOSITION OF TEMPORARY INVESTMENTS	0	0
50080070	(-) INVESTMENT IN INTANGIBLE ASSETS	0	0
50080080	+ DISPOSITION OF INTANGIBLE ASSETS	0	0
50080090	(-) ACQUISITIONS OF VENTURES	0	0
50080100	+ DISPOSITIONS OF VENTURES	0	0
50080110	+ DIVIDEND RECEIVED	0	0
50080120	+ INTEREST RECEIVED	0	0
50080130	+(-) DECREASE (INCREASE) ADVANCES AND LOANS TO THIRD PARTS	0	0
50080140	-(+) OTHER INFLOWS (OUTFLOWS) OF CASH	5,449	2,053
FINANCING ACTIVITIES			
50090000	NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	-2,904,114	-564,418
50090010	+ BANK FINANCING	0	0
50090020	+ STOCK MARKET FINANCING	0	0
50090030	+ OTHER FINANCING	75,000	0
50090040	(-) BANK FINANCING AMORTISATION	-1,042,116	0
50090050	(-) STOCK MARKET FINANCING AMORTISATION	-1,295,214	0
50090060	(-) OTHER FINANCING AMORTISATION	-142,284	-137,321
50090070	+(-) INCREASE (DECREASE) IN CAPITAL STOCK	384	0
50090080	(-) DIVIDENDS PAID	0	0
50090090	+ PREMIUM ON ISSUANCE OF SHARES	0	0
50090100	+ CONTRIBUTIONS FOR FUTURE CAPITAL INCREASES	0	0
50090110	(-) INTEREST EXPENSE	-421,902	-535,809
50090120	(-) REPURCHASE OF SHARES	0	0
50090130	(-)+ OTHER INFLOWS (OUTFLOWS) OF CASH	-77,982	108,712

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL**

QUARTER: **02** YEAR: **2013**

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

STATEMENT OF CASH FLOWS

TO JUNE 30 OF 2013 AND 2012

(Thousand Pesos)

CONSOLIDATED

Final Printing

REF	ACCOUNT/SUBACCOUNT	CURREENT YEAR	PREVIOUS YEAR
		Amount	Amount
50100000	**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**	**134,561**	**-720,864**
50110000	**EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS**	**18,313**	**41,561**
50120000	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	597,201	1,372,896
50130000	**CASH AND CASH EQUIVALENTS AT END OF PERIOD**	**750,075**	**693,593**

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

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	UNAPPROPRIATED EARNINGS (ACCUMULATED LOSSES)				
BALANCE AT JANUARY 1, 2012	**6,625,536**	**0**	**644,710**	**0**	**0**	**162,334**	**-1,606,086**	**-24,308**	**5,802,186**	**0**	**5,802,186**
RETROSPECTIVE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
APPLICATION OF COMPREHENSIVE INCOME TO RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL INCREASE (DECREASE)	0	0	0	0	0	0	0	0	0	0	0
REPURCHASE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN PREMIUM ON ISSUE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN NON-CONTROLLING INTERESTS	0	0	0	0	0	0	0	0	0	0	0
OTHER CHANGES	0	0	0	0	0	0	0	0	0	0	0
COMPREHENSIVE INCOME	0	0	0	0	0	0	-481,892	1,992	-479,900	0	-479,900
BALANCE AT JUNE 30, 2012	**6,625,536**	**0**	**644,710**	**0**	**0**	**162,334**	**-2,087,978**	**-22,316**	**5,322,286**	**0**	**5,322,286**
BALANCE AT JANUARY 1, 2013	**6,625,536**	**0**	**644,710**	**0**	**0**	**162,334**	**-2,314,955**	**-29,351**	**5,088,274**	**0**	**5,088,274**
RETROSPECTIVE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
APPLICATION OF COMPREHENSIVE INCOME TO RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0
RESERVES	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL INCREASE (DECREASE)	383	0	0	0	0	0	0	0	383	0	383
REPURCHASE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN PREMIUM ON ISSUE OF SHARES	0	0	0	0	0	0	0	0	0	0	0
(DECREASE) INCREASE IN NON-CONTROLLING INTERESTS	0	0	0	0	0	0	0	0	0	0	0
OTHER CHANGES	0	0	0	0	0	0	0	0	0	0	0
COMPREHENSIVE INCOME	0	0	0	0	0	0	2,743,023	29,351	2,772,374	0	2,772,374
BALANCE AT JUNE 30, 2013	**6,625,919**	**0**	**644,710**	**0**	**0**	**162,334**	**428,068**	**0**	**7,861,031**	**0**	**7,861,031**

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

SEE THE ATTACHED FILE

SEE THE ATTACHED FILE

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(THOUSAND PESOS)

CONSOLIDATED

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COMPANY NAME	PRICIPAL ACTIVITY	NUMBER OF SHARES	% OWNER SHIP	TOTAL AMOUNT	
				ACQUISITION COST	CURRENT VALUE
CONECTIVIDAD INALAMBRICA 7GHZ S. DE R.L.	SERVICIOS DE TELECOMUNICACIONES	2	50.00	24,497	9,587
TOTAL INVESTMENT IN ASSOCIATES				24,497	9,587

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

BREAKDOWN OF CREDITS

CONSOLIDATED

(THOUSAND PESOS)

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 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
BANKS																
FOREIGN TRADE																
SECURED																
COMMERCIAL BANKS																
OTHER																
TOTAL BANKS					0	0	0	0	0	0	0	0	0	0	0	0

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

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 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
STOCK MARKET																
LISTED STOCK EXCHANGE																
UNSECURED																
SECURED																
PRIVATE PLACEMENTS																
UNSECURED																
SENIOR NOTES 2017	YES	02/02/2007	01/02/2017	7.63							0	0	0	0	1,753,925	0
SENIOR NOTES 2019	YES	22/09/2009	22/09/2019	9							0	0	0	0	0	1,774,816
SENIOR SECURED NOTES 2020	YES	31/01/2013	31/01/2020	7, 8 y 9							0	0	0	0	0	3,279,335
CONVERTIBLE NOTES 2020	YES	31/01/2013	31/01/2020	7, 8 Y 9							0	0	0	0	0	292,647
SECURED																
TOTAL STOCK MARKET LISTED IN STOCK EXCHANGE AND PRIVATE PLACEMENT					**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,753,925**	**5,346,798**

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

BREAKDOWN OF CREDITS

CONSOLIDATED

(THOUSAND PESOS)

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				109,440	105,093	100,607	29,892	22,126	0						
OTROS PASIVOS CON COSTO	NOT										38,928	18,956	32,751	12,721	636	0
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES WITH COST					109,440	105,093	100,607	29,892	22,126	0	38,928	18,956	32,751	12,721	636	0
SUPPLIERS																
PROVEEDORES	NOT				1,217,676	0										
PROVEEDORES	NOT										476,527	0				
PROVEEDORES	YES										128,736	0				
TOTAL SUPPLIERS					1,217,676	0					605,263	0				
OTHER CURRENT AND NON-CURRENT LIABILITIES																
OTROS PASIVOS	NOT				281,990	356,347	430,983	0	0	0						
OTROS PASIVOS	NOT										227,703	28,436	2,401	0	0	0
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES					281,990	356,347	430,983	0	0	0	227,703	28,436	2,401	0	0	0
GENERAL TOTAL					**1,609,106**	**461,440**	**531,590**	**29,892**	**22,126**	**0**	**871,894**	**47,392**	**35,152**	**12,721**	**1,754,561**	**5,346,798**

NOTES

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	65,872	868,743	0	0	868,743
CURRENT	65,872	868,743	0	0	868,743
NON CURRENT	0	0	0	0	0
LIABILITIES POSITION	611,789	8,068,518	0	0	8,068,518
CURRENT	69,704	919,286	0	0	919,286
NON CURRENT	542,085	7,149,232	0	0	7,149,232
NET BALANCE	-545,917	-7,199,775	0	0	-7,199,775

NOTES

FINANCIAL LIMITATIONS IN CONTRACT, ISSUED DEED AND / OR TITLE

• AS OF JUNE 30, 2013 INDEBTEDNESS DUE IN FEBRUARY 2017 AND SEPTEMBER 2019 (SENIOR NOTES) DOES NOT CONTEMPLATE ANY MATERIAL COVENANTS FOR THE COMPANY

• IN TERMS OF THE INDEBTEDNESS ISSUED JANUARY 31, 2013 DUE JANUARY 2020 (SENIOR SECURED NOTES AND SENIOR SECURED CONVERTIBLE NOTES) REFERRED THE FOLLOWING COVENANTS:

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

• TOTAL GUARANTEED DEBT EQUAL TO TOTAL DEBT ISSUED BY US$ 270,842,689.85 MILLION

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

CURRENT SITUATION OF FINANCIAL COVENANTS:

• THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

ACTUAL SITUATION OF FINANCIAL LIMITED

THE COMPANY IS IN COMPLIANCE WITH ALL COVENANTS

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					
SERVICIOS LOCALES	0	1,659,395	0.00		
SERVICIOS DE L.D.	0	571,459	0		
DATOS	0	1,423,214	0		
TRAFICO INTL.	0	295,353	0		
OTROS SERVICIOS	0	719,152	0		
EXPORT INCOME					
INCOME OF SUBSIDIARIES ABROAD					
TOTAL	**0**	**4,668,573**			

NOTES

MEXICAN STOCK EXCHANGE

STOCK EXCHANGE CODE: **AXTEL** QUARTER: **02** YEAR: **2013**

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

ANALYSIS OF PAID CAPITAL STOCK

CONSOLIDATED

CHARACTERISTICS OF THE SHARES

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

TOTAL NUMBER OF SHARES REPRESENTING THE PAID IN CAPITALSTOCK ON THE DATE OF SENDING THE INFORMATION 8,770,467,252

NOTES

SEE THE ATTACHED FILE

San Pedro Garza Garcia, Mexico, July 18, 2013 - Axtel, S.A.B. de C.V. ("AXTEL" or "the Company"), a leading Mexican fixed-line integrated telecommunications company, announced today its unaudited second quarter results ended June 30, 2013[1].

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

Highlights:

- Adjusted EBITDA for the quarter was Ps. 701 million; similar to the Ps. 703 million in second quarter of last year. However, excluding the new tower lease expense recorded this year, EBITDA would have been 11% higher than second quarter 2012, and 7% higher on a sequential basis.

- During this quarter, revenues from AXTEL's core business segments, mass market and enterprise, increased 3% on a sequential basis, consistent with the gradual recovery expected after the recapitalization plan and productivity initiatives recently implemented.

- WiMAX net disconnections were reduced from 23 thousand in the first quarter to 11 thousand this quarter, as more competitive acquisition and retention strategies were adopted since early April. Additionally, FTTH quarterly net additions increased from 9 to 12 thousand for the same periods. FTTH subscribers reached 120 thousand at the end of June, including 30 thousand video subscribers.

- Consistent with the strategy of increasing the proportion of IT services in our integrated solutions to the enterprise and government segments, this quarter, AXTEL signed a new contract with Banamex to provide voice and IT managed services.

Revenues from operations

Revenues from operations totaled Ps. 2,380 million in the second quarter of year 2013 from Ps. 2,688 million for the same period in 2012, a decrease of Ps. 308 million or 11%.

Revenues from operations totaled Ps. 9,668 million in the twelve month period ended June 30, 2013, compared to Ps. 10,672 million in the same period in 2012, a decrease of Ps. 1,004 million, or 9%.

Sources of Revenues

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

Local services. Local service revenues totaled Ps. 823 million in the second quarter of 2013, compared to Ps. 915 million for same period in 2012, representing a decrease of Ps. 92 million, explained by Ps. 60 million, Ps. 12 million and Ps. 20 million decreases in monthly rents, measured service and cellular revenues, respectively. Average voice lines declined 9%, producing a decline in monthly rents of also 9%. The 20% decrease in measured services is explained by 12% and 9% decreases in billed-traffic volume and prices, respectively. The 13% decrease in cellular revenue is explained by a

14% decrease in prices resulting from a market trend linked to lower interconnection tariffs, partially mitigated by a 2% increase in cellular billed-traffic. Revenues coming from monthly rents represented 77% of local revenues during the three month period ended June 30, 2013. For the twelve month period ended June 30, 2013, local revenues totaled Ps. 3,430 million, compared to Ps. 3,707 million registered in the same period in 2012, a decrease of Ps. 277 million or 7% mostly explained by Ps. 117, Ps. 54 and Ps. 107 million declines in monthly rents, measured service and cellular revenues respectively.

Long distance services. Revenues totaled Ps. 268 million in the second quarter of 2013, compared to Ps. 275 million for same period in 2012. Billed-traffic volume increased 20%, however revenues decreased due to a 19% decline in billed-traffic prices. For the twelve month period ended June 30, 2013, long distance revenues totaled Ps. 1,092 million compared to Ps. 1,110 million registered in 2012, a Ps. 18 million, or 2%, decline.

Internet & Video. Quarterly revenues amounted to Ps. 252 million, compared to Ps. 193 million in the same period in 2012, a 31% or Ps. 59 million increase driven by the new video or pay-tv service and the increase in mass-market, or, "on-demand" internet services revenues, which increased 22% year-over-year. During the twelve month period ended on June 30, 2013, internet and video services revenues totaled Ps. 909 million from Ps. 671 million registered in 2012, an increase of Ps. 238 million, or 35%.

Data & Network. Data and network revenues amounted to Ps. 479 million in the second quarter of 2013, compared to Ps. 493 million in the same period in 2012, a 3% or Ps. 14 million decrease driven by 5% and 2% decline in private lines and dedicated internet revenues respectively. During the twelve month period ended on June 30, 2013, data and network services revenues totaled Ps. 1,953 million from Ps. 2,003 million registered in 2012, a decrease of Ps. 49 million, or 2%.

Integrated Services & Equipment Sales. Quarterly revenues totaled Ps. 267 million in the second quarter of 2013, from Ps. 503 million in the same quarter of previous year, a 47% decrease mostly explained by a 81% decrease in equipment sale. In the second quarter of 2012, Axtel recorded an extraordinarily high $158 million equipment sale transaction to a Federal government entity that makes year-over-year figures not directly comparable. For the twelve month period ended June 30, 2013, revenues totaled Ps. 1,194 million from Ps. 1,489 million registered in 2012, a decrease of Ps. 294 million, or 20%.

International traffic. In the second quarter of 2013, international traffic revenues totaled Ps. 171 million, an increase of Ps. 3.5 million or 2% versus same quarter of previous year, explained by mixed effects of 12% increase in prices and 9% reduction in volume. Higher prices is attributable to a change in the mix towards higher priced mobile traffic vs on-net and off-net traffic. In peso terms, the price increase was mitigated by an 8% appreciation of the Mexican peso vis-à-vis the US dollar. For the twelve month period ended June 30, 2013, revenues from international traffic totaled Ps. 582 million from Ps. 1,059 million in the same period in 2012, a decline of 45% explained by a 10% decline in volume and a 1% decline in prices.

Other services. Quarterly revenues from other services totaled Ps. 81 million in the second quarter of 2013, from Ps. 92 million in the same quarter of previous year, a decrease of 11%. For the twelve month period ended June 30, 2013, revenues totaled Ps. 338 million from Ps. 361 million registered in 2012, a decrease of Ps. 22 million, or 6%.

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

Mass Market. Revenues totaled Ps. 888 million in the second quarter of 2013, compared to Ps. 923 million for the same quarter in 2012, a decrease of 4%, mainly due to 12% and 11% decrease in local and long distance revenues, partially compensated by 27% increase in internet and video services. For the twelve month period ended June 30, 2013, revenues totaled Ps. 3,629 million, an increase of 1% compared to the same period in 2012, mostly explained by a 33% increase in internet and video services.

Enterprise (including Government). Revenues for this segment amounted to Ps. 1,106 million in the three month period ended June 30, 2013, a decrease of 17% versus the same period in 2012. This is explained by decreases of 82% in equipment sales and 5% in local revenues. For the twelve month period ended June 30, 2013, revenues decreased 6%, from Ps. 4,782 million registered in the twelve month period ended June 30, 2012, to Ps 4,493 million in 2013. This is due to decreases of 4% and 23% in local and equipment sale.

Interconnection, Public Telephony and Carriers. Revenues for this segment declined 20%, from Ps. 221 million in the second quarter 2012 to Ps. 176 million in 2013, mainly due to 22%, 17% and 25% decreases in local, long distance and data revenues. For the twelve month period ended June 30, 2013 revenues reached Ps. 795 million, a decline of 17% compared to the same period in 2012, primarily explained by 26%, 42% and 12% decreases in local, long distance and data revenues respectively.

Consumption

Local Calls. Local calls excluding our largest wholesale customer totaled 447 million calls in the second quarter of 2013, compared to 450 million calls for same period in 2012, representing a decrease of 1%. Billed local calls decreased 11 million or 12%, while local calls included in commercial offers increased by 7 million. Business and residential customers contributed with 9 million and 2 million decrease respectively to the billed local calls decline. Local calls included in commercial offers represented 82% of total calls in the second quarter of 2013. For the twelve month period ended June 30, 2013, local calls totaled 1,800 million excluding our largest wholesale customer, compared to 1,792 million registered in the same period in 2012, an increase of 9 million calls.

Cellular ("Calling Party Pays"). Minutes of use of calls completed to a cellular line excluding our largest wholesale customer amounted to 172 million in the three month period ended June 30, 2013, compared to 166 million in the same period in 2012, an increase of 4%. Billed cellular minutes increased 3 million or 2%, while minutes in modules included in a monthly rent increased 3 million minutes or 7%. Billed cellular minutes represented 71% of cellular minutes in the second quarter of 2013, compared to 72% in the year-earlier quarter. For the twelve month period ended June 30, 2013 and excluding our largest wholesale customer, cellular minutes increased 33 million, or 5%, from 638 million registered in the twelve month period ended June 30, 2012, to 671 million in 2013.

Long distance. Excluding our largest wholesale customer, which represents 13% of total volume, outgoing long distance minutes amounted to 557 million for the three month period ended June 30, 2013, from 472 million in the same period in 2012, a 18% increase. This, resulting from a 9% decrease and 25% increase in traffic from residential and business customers, respectively. Billed long distance minutes during the second quarter of 2013 increased 20% compared to the same period in 2012. Domestic long distance minutes represented 96% of total traffic during the quarter. For the twelve month period ended June 30, 2013 and excluding our largest wholesale customer, outgoing long distance minutes amounted 2,185 million, compared to 1,898 million registered in 2012, an increase of 15%, explained by increased traffic from business customers, particularly in billed long distance minutes.

Operating Data

RGUs[(8)] and Customers. As of June 30, 2013, RGUs (Revenue Generating Units) totaled 1,450 thousand. During the second quarter of 2013, there were no net-additions, compared to 15 thousand net-additions in the second quarter of 2012, attributable to a greater number of disconnections from wireless RGUs, compensated by an increase in FTTH and video RGUs. As of June 30, 2013, customers totaled 653 thousand, a decline of 102 thousand from the same date in 2012. Total customers declined 19 thousand on a sequential basis.

Voice RGUs (lines in service). As of June 30, 2013, lines in service totaled 939 thousand. During the second quarter of 2013, gross additional lines totaled 52 thousand compared to 63 thousand in the second quarter of 2012. Disconnections in the second quarter of 2013 totaled 70 thousand compared to 67 thousand in the year-earlier quarter. Lines in service in the second quarter of 2013 decreased 18 thousand, compared to 4 thousand in the same period of 2012. As of June 30, 2013, residential lines represented 64% of total lines in service.

Broadband RGUs (broadband subscribers). Broadband subscribers remained unchanged year-over-year totaling 481 thousand as of June 30, 2013. During the second quarter of 2013, broadband subscribers net-additions totaled 1 thousand compared to 18 thousand in the same period of 2012. As of June 30, 2013, WiMAX broadband subs reached 347 thousand, compared to 388 thousand a year ago, while AXTEL X-tremo, or FTTH customers, totaled 121 thousand compared to 76 thousand a year ago. Broadband penetration reached 51% at the end of the second quarter of 2013, compared to 46% a year ago.

Video subscribers. Axtel launched its pay-television service, AXTEL TV, on January 30th, 2013, and as of June 30, 2013, video subscribers had reached 31 thousand. Video subscribers totaled 15 thousand at the beginning of this quarter.

Line equivalents (E0 equivalents). We offer from 64 kilobytes per second (“KBps”) up to 200 megabytes per second (“MBps”) dedicated data links in all of our thirty-nine existing cities. We account for data links by converting them to E0 equivalents in order to standardize our comparisons versus the industry. As of June 30, 2013, line equivalents totaled 743 thousand, 27% increase.

Cost of Revenues and Operating Expenses

Cost of Revenues. For the three month period ended June 30, 2013, the cost of revenues represented Ps. 609 million, a decrease of Ps. 211 million, compared with the same period of year 2012, mainly explained by decreases of Ps. 214 million in integrated services and equipment sale costs. For the twelve month period ended June 30, 2013, cost of revenues reached Ps. 2,573 million, a decrease of Ps. 221 million in comparison with year 2012, mainly due to decreases in local and equipment sales costs.

Gross Profit. Gross profit is defined as revenues minus cost of revenues. For the second quarter of 2013, the gross profit accounted for Ps. 1,771 million, a decrease of Ps. 98 million compared with the same period in year 2012. The gross profit margin increased from 69.5% to 74.4% year-over-year, influenced by lower equipment sales revenues that carry a low gross margin. For the twelve month period ended June 30, 2013, our gross profit totaled Ps. 7,095 million, compared to Ps. 7,878 million recorded in year 2012, a decrease of Ps. 784 million, or 10%.

Operating expenses. In the second quarter of year 2013, operating expenses totaled Ps. 1,070 million, Ps. 95 million or 8% lower than the Ps. 1,165 million recorded in the same period in year 2012, explained by Ps. 84 and Ps. 42 million decreases in personnel and maintenance expenses, respectively, due to the efficiency initiatives initiated during the fourth-quarter of last year. These reductions were partially offset by the Ps. 70 million increase in rents due to the towers lease expenses. For the twelve month period ended June 30, 2013, operating expenses totaled Ps. 4,445 million, coming from Ps. 4,607 million in the same period in 2012. Personnel represented 40% of total operating expenses in the twelve month period ended June 30, 2013.

Adjusted EBITDA, D&A and Operating Income

Adjusted EBITDA(5). The Adjusted EBITDA totaled Ps. 701 million for the three month period ended June 30, 2013, compared to Ps. 703 million for the same period in 2012. As a percentage of total revenues, Adjusted EBITDA margin represented 29.4% in the second quarter of 2013, 330 bps higher than the margin recorded in the year-earlier quarter. Excluding the tower lease expense, Adjusted EBITDA in the second quarter would have been Ps. 771 million, representing a 32.4% margin, or 625 bps higher than a year earlier. For the twelve month period ended June 30, 2013, Adjusted EBITDA amounted to Ps. 2,650 million, compared to Ps. 3,272 million in year 2012.

Depreciation and Amortization(10). Depreciation and amortization totaled Ps. 799 million in the three month period ending on June 30, 2013 compared to Ps. 757 million for the same period in year 2012. Depreciation and amortization for the twelve-month period ended June 30, 2013 reached Ps. 3,170 million, from Ps. 3,044 million in the same period in year 2012, an increase of Ps. 126 million.

Operating Income (loss). In the three month period ended June 30, 2013, the Company recorded an operating loss of Ps. 120 million compared to an operating loss of Ps. 63 million registered in the same period in year 2012. For the twelve month period ended June 30, 2013 our operating income reached Ps. 2,367 million when compared to the operating loss of Ps. 204 million in the same period of year 2012, a variation of Ps. 2,567 million mainly explained by the gain related to the tower sale.

CFR, Indebtedness, Cash, Investments and Derivative Instruments

Comprehensive financial result. Net interest expense for the second quarter 2013 decreased Ps. 106 million vis-à-vis the second quarter 2012, due to the debt reduction implemented in the first quarter of 2013. During the second quarter 2013, a 6.3% peso depreciation against the U.S. dollar generated a Ps. 446 million FX loss. In the second quarter of 2012, an FX loss of Ps. 703 million was generated by an equal 6.3% peso depreciation. Concerning variations in the fair value of financial instruments, these are partially explained by 19% increase and 31% decline in the price of AXTELCPO during the second quarters of 2013 and 2012, respectively, which affected the valuation of AXTEL´s position held in its own stock through the zero-strike-calls instruments. The Ps. 1,047 million comprehensive financial gain for year ended in June 2013, compared to a Ps. 2,622 million comprehensive financial loss for year ended in June 2012, is mainly explained by an 8% appreciation of the Mexican peso against the U.S. dollar in the 2013 period, compared to a 13% depreciation in the 2012 period.

Debt. At the end of the second quarter of 2013, total debt decreased Ps. 4,351 million in comparison with the same date in 2012, explained by (i) a Ps. 3,096 million net reduction related to the exchange of the senior notes due 2017 and 2019, (ii) a Ps. 824 million decrease in bank debt related to the prepayment of the syndicated bank facility, (iii) a decrease of Ps. 277 million in leases and financial obligations, (iv) a Ps. 142 million decrease in notes issuance and deferred financing costs, and (v) a Ps. 260 million non-cash decrease caused by the 4% appreciation of the Mexican peso.

Cash. As of the end of the second quarter of 2013, our cash and equivalents balance totaled Ps.750 million, compared to Ps. 843 million a year ago, and Ps. 824 million at the beginning of the quarter. As of the end of the quarter, 24 percent of the cash balance was maintained in dollars, the rest in pesos.

Capital Investments. In the second quarter of 2013, capital investments totaled Ps. 410 million, or $33 million, compared to Ps. 476 million, or $35 million, in the year-earlier quarter. Accumulated for the twelve-month period ended June 30, 2013, capital investments totaled Ps. 1,777 million, or $139 million, compared to Ps. 2,250 million, or $172 million, for the same period ended in 2012.

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

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

	AXTEL receives	**AXTEL pays**	**Other**
Zero-strike Equity Call Option			

Notional			30.4 million AXTELCPO
Value	30.4 million AXTELCPO times CPO's market price	Strike price: ¢1 per CPO	
Settlement			In cash
Expiration Date			July 2013
Valuation			Ps. 136.2 million

Financial Statements

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

Assets

As of June 30, 2013, total assets summed Ps. 18,924 million compared to Ps. 21,194 million as of June 30, 2012, a decline of Ps. 2,271 million.

Cash and equivalents. As of June 30, 2013, we had cash and cash equivalents of Ps. 750 million compared to Ps. 843 million in the same date of year 2012, a decrease of Ps. 93 million or 11%.

Accounts Receivable. As of June 30, 2013, the accounts receivable were Ps. 2,621 million compared with Ps. 2,486 million in the same date of 2012, an increase of Ps. 135 million.

Property, plant and equipment, net. As of June 30, 2013, the net of depreciation value of property, plant and equipment was Ps. 13,199 million compared with Ps. 14,935 million as of June 30, 2012, a decrease of Ps. 1,736 million. The property, plant and equipment without adjusting for the accumulated depreciation, was Ps. 36,600 million and Ps. 35,422 million as of June 30, 2013 and June 30, 2012, respectively.

Liabilities

Total liabilities were Ps. 11,063 million as of June 30, 2013 compared to Ps. 15,872 million as of June 30, 2012, a decrease of Ps. 4,809 million.

Accounts payable & accrued expenses. On June 30, 2013, the accounts payable and accrued expenses were Ps. 1,823 million compared with Ps. 2,420 million on June 30, 2012, a decrease of Ps. 597 million.

Stockholders Equity

On June 30, 2013, the stockholders equity of the Company was Ps. 7,861 million compared with Ps. 5,322 million as of June 30, 2012, an increase of Ps. 2,539 million, or 48%. The capital stock remained unchanged at Ps. 6,626 million as of June 30, 2013 and 2012.

Liquidity and Capital Resources

Historically we have relied primarily on vendor financing, the proceeds of the sale of securities, internal cash from operations and the proceeds from bank debt to fund our operations, capital expenditures and working capital requirements. Additionally, and subject to (i) market conditions, (ii) our liquidity position and (iii) contractual obligations, from time to time, we might acquire senior secured and unsecured notes in the open market or in privately negotiated transactions. Although we believe that we would be able to meet our debt service obligations and fund our operating requirements in the future with cash flow from operations, we may seek additional financing with commercial banks or in the capital markets from time to time depending on market conditions and our financial requirements. We will continue to focus on investments in property, systems and infrastructure and working capital management, including the collection of accounts receivable and management of accounts payable.

Cash Flow Statement

For the three-month period ended June 30, 2013 compared with the three-month period ended June 30, 2012

Net resources provided by operating activities were Ps. 376 million for the three-month period ended on June 30, 2013 compared to Ps. 718 million recorded in the same period of year 2012.

Net resources (used in) provided by investing activities were Ps. (410) million for the three-month period ended on June 30, 2013 compared to Ps. (475) million recorded in the same period of year 2012. These flows primarily reflect investments in fixed assets of Ps. (410) million and Ps. (476) million, respectively.

Net resources (used in) provided by financing activities were Ps. (28) million and Ps. (0.7) million for the three-month periods ended on June 30, 2013 and 2012, respectively.

As of June 30, 2013, the ratios of net debt to Adjusted EBITDA and interest coverage of the company were 2.6x and 2.6x, respectively. As June 30, 2012 the ratios of net debt to Adjusted EBITDA and interest coverage, were 3.4x and 3.1x, respectively.

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

Cash Flow Statement

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

Net resources provided by operating activities were Ps. 1,998 million for the twelve-month period ended on June 30, 2013 compared to Ps. 3,000 million recorded in the same period of year 2012.

Net resources (used in) provided by investing activities were Ps. 1,370 million for the twelve-month period ended on June 30, 2013 compared to Ps. (2,258) million recorded in the same period of year 2012. These flows primarily reflect investments in fixed assets of Ps. (1,776) million and Ps. (2,250) million, respectively.

Net resources (used in) provided by financing activities were Ps. (3,343) million and Ps. (785) million for the twelve-month period ended on June 30, 2013 and 2012, respectively.

Other important information

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

   - Consolidated income statement information for the three-month period ending on June 30, 2013, and March 31 and June 30, 2012; and twelve-month period ending on June 30, 2013 and June 30, 2012, and
   - Balance sheet information as of June 30, 2013 and 2012; and March 31, 2012.

2) Revenues are derived from:

   i. Local services. We generate revenue by enabling our customers to originate and receive calls within a defined local service area and by providing offers with local calls, calls completed on a cellular line ("calling party pays," or CPP calls) and long distance minutes included in the monthly rent. Customers are charged a flat monthly fee for a variety of commercial offers and in certain offers, a per call fee for local calls ("measured service"), a per minute usage fee for CPP calls and value added services.
   ii. Long distance services. We generate revenues by providing long distance services (domestic and international) for our customers' completed calls from AXTEL lines.
   iii. Internet & video. We generate revenues by providing "on demand" Internet access and video (Pay-TV) services.
   iv. Data & network. We generate revenues by providing data, dedicated Internet and network services, like virtual private networks and private lines, to the enterprise segment.
   v. Integrated Services & equipment sale. We generate revenues from managed telecommunications services provided to corporate customers, financial institutions and government entities and the sale of customer premises equipment ("CPE") necessary to provide these services.
   vi. International traffic. We generate revenues terminating international traffic from foreign carriers.
   vii. Other services. Include, among others, memberships, late payment charges, spectrum, interconnection, activation and wiring and presubscription.

3) Cost of revenues includes expenses related to the termination of our customers' cellular and long distance calls in other carriers' networks, as well as expenses related to billing, payment processing, operator services and our leasing of private circuit links.

4) Operating expenses include costs incurred in connection with general and administrative matters which incorporate compensation and benefits, the costs of leasing land related to our operations and costs associated with sales and marketing and the maintenance of our network.

5) Adjusted EBITDA is defined as net income plus interest, taxes, depreciation and amortization, and further adjusted for unusual or non-recurring items. For additional detail on the Adjusted EBITDA Reconciliation, go to AXTEL's web site at www.axtel.mx

6) Earnings per CPO are calculated dividing the net income by the average number of Series A and Series B shares outstanding during the period divided by seven. The number of outstanding Series A and Series B shares was 97,750,656 and 8,672,716,596, respectively, as of June 30, 2013.

7) Net Debt to Adjusted EBITDA: The figure comes from dividing the net debt at the end of the period by the respective LTM Adjusted EBITDA.

8) Revenue Generating Unit, or RGU, represents individual service subscriber who generates recurring revenue for the Company. Total RGUs include the sum of all lines in service, broadband service customers and video subscribers.

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

Million Pesos	Q2 2013	Q2 2012	Q1 2013	LTM jun-13	LTM jun-12
Local	826	919	834	3,443	3,813
Long Distance	288	311	283	1,194	1,242
Internet & Video	252	193	229	909	671
Data & Network	481	494	485	1,962	2,012
Int. Service & Eq. Sale	267	503	230	1,194	1,489
Int'l. Traffic	171	167	124	582	1,059
Other	95	100	104	384	387
	2,380	2,688	2,289	9,668	10,672

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

11) Subject to market conditions, the Company's liquidity position and its contractual obligations, from time to time, the Company may acquire its senior secured and unsecured notes in the open market or in privately negotiated transactions.

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

- Actinver Casa de Bolsa S.A. de C.V.
- Bank of America-Merrill Lynch
- BBVA Bancomer, S.A.
- BTG Pactual
- Casa de Bolsa Banorte Ixe, Grupo Financiero Banorte
- Credit Suisse Securities (USA) LLC
- GBM
- Scotiabank Inverlat

About AXTEL

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

AXTELCPO trades on the Mexican Stock Exchange since 2005. AXTEL's American Depositary Shares are eligible for trading in The PORTAL Market, a subsidiary of the NASDAQ Stock Market, Inc.

Visit AXTEL's Investor Relations Center on www.axtel.mx

(1) Reporting entity

Axtel, S.A.B. de C.V. (“AXTEL”) is a Mexican corporation engaged in operating and/or exploiting a public telecommunication network to provide voice, sound, data, text, and image conducting services, and local, domestic and international long-distance calls. A concession is required to provide these services and carry out the related activities. In June 1996, the Company obtained a concession from the Mexican Federal Government to install, operate and exploit public telecommunication networks for an initial period of thirty years. The corporate domicile of the Company located in Blvd. Díaz Ordaz km 3.33 L-1, Colonia Unidad San Pedro, 66215 San Pedro Garza García, Nuevo León, Mexico. Axtel’s primary activities are carried out through different operating entities which are its direct or indirect subsidiaries (collectively with Axtel referred to herein as the “Company”).

(2) Significant events

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

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

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

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

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

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

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

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

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

(3) International Financial Reporting Standards

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

(4) Basis of preparation

a) Statement of compliance

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

The information presented in the unaudited consolidated financial statements of the Company was prepared according to the same accounting policies and methods of calculation as in the annual financial statements for the year ended December 31, 2012.

During the interim period ended June 30, 2013 and the year ended December 31, 2012 there were no corrections of prior period errors and changes in business or economic circumstances that affect the fair value of financial assets and liabilities financial statements of the Company. In addition there were no transactions seasonal or cyclical nature affecting the interim period and comparability.

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

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

b) Basis of measurement

The information presented in the consolidated financial statements has been prepared on a historical cost basis, except certain financial instruments. The historical cost is generally based on the fair value of the consideration granted in exchange of the related assets.

c) Functional and presentation currency

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

(5) Significant accounting policies

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

a) Cash and cash equivalents

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

b) Restricted cash

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

c) Financial assets

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

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

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

Financial assets are classified within the following specific categories: “financial assets at fair value with changes through profit or loss,” “investments held to maturity”, “assets available for sale” “loans and accounts payable.” The classification depends on the nature and purpose thereof and is determined upon initial recognition.

<u>Financial assets valued at fair value through profit or loss</u>

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

Available-for-sale financial assets

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

Receivables

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

Effective interest method

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

Write-off of financial assets

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

d) Impairment of financial instruments

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

Financial assets carried at amortized cost

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

Available-for-sale financial instruments

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

e) Derivative financial instruments

Hedging instruments

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

Cash flow hedges

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

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

Embedded derivatives

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

f) Fair value of financial instruments

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

g) Inventories and cost of sales

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

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

h) Investments in associates and joint ventures and other equity investments

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

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

Other equity investments in which the Company does not exercise significant influence the investees' capital stock are recorded at cost as their fair value is not reliably determinable.

i) Property, systems and equipment

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

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

Depreciation

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

	Useful lives
Building	25 years
Computer and electronic equipment	3 years
Transportation equipment	4 years
Furniture and fixtures	10 years
Network equipment	6 to 28 years
Leasehold improvements	5 to 14 years

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

Subsequent costs

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

Decommissioning and remediation obligations

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

Borrowing costs

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

j) Intangibles assets

The amounts expensed for intangible assets are capitalized when the future economic benefits derived from such investments, can be reliably measured. According to their nature, intangible assets are classified with determinable and indefinite lives. Intangible assets with determinable lives are amortized using the straight line method during the period in which the economic benefits are expected to be obtained. Intangible assets with an indefinite life are not amortized, as it is not feasible to determine the period in which such benefits will be materialized; however, they are subject to annual impairment tests. The price paid in a business combination assigned to intangible assets is determined according to their fair value using the purchase method of accounting. Research and development expenses for new products are recognized in results as incurred.

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

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

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

k) Impairment of non-financial assets

The Company reviews carrying amounts of its tangible and intangible assets in order to determine whether there are indicators of impairment. If there is an indicator, the asset recoverable amount is calculated in order to determine, if applicable, the impairment loss. The Company undertakes impairment tests considering asset groups that constitute a cash-generating unit (CGU). Intangible assets with indefinite useful lives are subject to impairment tests at least every year, and when there is an indicator of impairment.

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

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

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

l) Non-current assets held for sale

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

m) Financial liabilities

Initial recognition and measurement

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

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

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

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

Financial liabilities at fair value with changes to profit or loss

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

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

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

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

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

Financial debt and interest bearing loans

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

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

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

n) Leases

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

The Company as a lessee

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

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

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

o) Provisions

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

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

p) Employee benefits

Short-term employee benefits

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

Seniority premiums granted to employees

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

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

Termination benefits

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

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

q) Statutory employee profit sharing

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

r) Income taxes

Current income taxes

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

Deferred income taxes

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

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

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

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

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

s) Revenue recognition

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

- *Telephony Services* – Customers are charged a flat monthly fee for basic service, a per-call fee for local calls, a per-minute usage fee for calls completed on a cellular line and domestic and international long distance calls, and a monthly fee for value-added services.
- *Activation* – At the moment of installing the service when the customer has a contract with indefinite life; otherwise is recognized over the average contract life.
- *Equipment* – At the moment of selling the equipment and when the customer acquires the property of the equipment and assumed all risks.
- *Integrated services* – At the moment when the client receives the service.

t) Earnings per share

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

u) Segments

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

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

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

Underlying estimates and assumptions are reviewed regularly.

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

a) Useful lives of property, systems, and equipment - The Company reviews the estimated useful life of property, systems and equipment at the end of each annual period. The degree of uncertainty related to the estimated useful lives is related to the changes in market and the use of assets for production volumes and technological development.

b) Impairment of non-financial assets - When testing assets for impairment, the Company requires estimating the value in use assigned to property, systems and equipment, and cash generating units. The calculation of value in use requires the Company to determine future cash flows generated by cash generating units and an appropriate discount rate to calculate the present value thereof. The Company uses cash inflow projections using estimated market conditions, determination of future prices of products and volumes of production and sale. Similarly, for discount rate and perpetuity growth purposes, the Company uses market risk premium indicators and long-term growth expectations of markets where the Company operates.

c) Allowance for doubtful accounts - The Company uses estimates to determine the allowance for doubtful accounts. The factors that the Company considers to estimate doubtful accounts are mainly the customer's financial situation risk, unsecured accounts, and considerable delays in collection according to the credit limits established.

d) Contingencies - The Company is subject to contingent transactions or events on which it uses professional judgment in the development of estimates of occurrence probability. The factors considered in these estimates are the current legal situation as of the date of the estimate, and the external legal advisors' opinion.

e) Decommission and remediation provision - The Company recognizes a provision for the present value associated with the Company's decommissioning and remediation obligations to remove its telecommunication towers and capitalizes the associated cost as a component of the related asset.

f) Deferred income taxes - The Company prepares future cash flows projections to determine whether it will pay ISR or IETU in future periods, in order to estimate the reversal dates for the temporary differences that result in deferred tax assets and liabilities.

g) Deferred tax assets - Deferred tax assets are recognized for the tax loss carry forwards to the extent management believes it is recoverable through the generation of future taxable income to which it can be applied.

h) Financial instruments recognized at fair value - In cases where fair value of financial assets and liabilities recorded in the consolidated financial statement do not arise from active markets, their fair values are determined using assessment techniques, including the discounted cash flows model. Where possible, the data these models are supplied with are taken from observable markets, otherwise a degree of discretionary judgment is required to determine fair values. These judgments include data such as liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors may affect the amounts of fair values advised for financial instruments.

i) Leases - Lases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(7) Property, systems and equipment

Property, systems and equipment are as follows:

	Land and Building	Computer and electronic equipment	Transport-ation equipment	Furnitur e and fixtures	Network equipment	Leasehold improvements	Constructio n in progress	Total
Balance as of January 1, 2012	430,990	3,040,278	378,071	215,919	27,424,110	417,957	2,536,711	34,444,036
Additions	-	247	2,814	2	572,753	-	1,481,933	2,057,749
Transfer of completed projects in progress	-	235,402	25,095	5,178	2,411,698	7,190	(2,684,563)	-
Transfer to assets held for sale	-	-	-	-	(817,077)	-	-	(817,077)
Disposals	-	(26)	(10,569)	-	(21,307)	-	-	(31,902)
Balance as of December 31, 2012	430,990	3,275,901	395,411	221,099	29,570,177	425,147	1,334,081	35,652,806
Additions	-	579	2,896	130	243,442	-	478,838	725,885
Transfer of completed projects in progress	-	13,075	-	-	658,412	9	(671,496)	-
Transfer to assets held for sale	-	-	-	-	240,451	-	-	240,451
Disposals	-	-	(14,202)	-	(4,743)	-	-	(18,945)
Balance as of June 30, 2013	430,990	3,289,555	384,105	221,229	30,707,739	425,156	1,141,423	36,600,197

Depreciation and impairment	Land and Building	Computer and electronic equipment	Transp-ortation equipme nt	Furnitur e and fixtures	Network equipment	Leasehold improvements	Constructi on in progress	Total
Balance as of January 1, 2012	107,512	1,129,025	221,955	149,454	17,153,898	259,169	-	19,021,013
Depreciation for the year	14,286	101,517	76,790	14,063	2,776,095	38,459	-	3,021,210
Disposals	-	-	(9,588)	-	(21,208)	-	-	(30,796)
Transfer to assets held for sale	-	-	-	-	(356,615)	-	-	(356,615)
Balance as of December 31, 2012	121,798	1,230,542	289,157	163,517	19,552,170	297,628	-	21,654,812
Depreciation for the year	7,143	68,014	32,822	7,198	1,448,573	15,849	-	1,579,599
Disposals	-	-	(13,587)	-	(4,724)	-	-	(18,311)
Transfer to assets held for sale	-	-	-	-	184,955	-	-	184,955
Balance as of June 30, 2013	128,941	1,298,556	308,392	170,715	21,180,974	313,477	-	23,401,055
Property, systems and equipment, net	302,049	1,990,999	75,713	54,514	9,526,765	111,679	1,141,423	13,199,142

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

Non-current assets held for sale

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

(8) Transactions and balances with related parties

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

		2013	2012
Banamex:			
Telecommunication service revenues	Ps	279,049	266,389
Commission and administrative services		8,610	7,371
Interest expense		17,208	27,690
Other related parties:			
Rent expense		16,700	19,781
Installation service expense		16,312	15,321
Other		1,090	3,744

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

		June 30, 2013	December 31, 2012
Accounts payable short-term:			
Banco Nacional de México, S.A. [1]	Ps	453,886	434,693
Neoris de México, S.A. de C.V. [2]		344	-
Instalaciones y Desconexiones Especializadas, S.A. de C.V. [2]		775	991
GEN Industrial, S.A. de C.V. [2]		24	73
Total	Ps	455,029	435,757
Accounts payable long-term:			
Banco Nacional de México, S.A. [1]	Ps	33,900	33,900

(1) Derived from transactions related to master services agreement signed between the Company and Banamex in November 2006. Under this contract, the Company provides telecommunications services (including, local, long distance and other services) to Banamex and its affiliates located in Mexico.

(2) Mainly rents and other administrative services.

(9) Stockholders' equity

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

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

(10) Commitments and contingencies

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

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

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

With respect to Grupo Iusacell, Grupo Telefonica and Unefon, the Company filed an administrative review proceeding, which was resolved on September 1, 2008 by the Department of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*) ("**SCT**"). The SCT decided to revoke the resolutions issued by the Cofetel, and established cost based tariffs for the years 2006 and 2007.

The above mentioned mobile carriers challenged the resolutions issued by the SCT via amparo trial, and on February, 2012, the SCJN ruled that the SCT had to standing to decide on the administrative review proceedings filed by Axtel, and that the Cofetel is the authority that should rule on these administrative review proceedings.

At June 19, 2013, the Cofetel issued three new resolutions revision resources where reversed its previous decisions and set rates only for the years 2005-2007, nullifying the tariffs established for the period 2008-2010. Also, Cofetel established in the new resolutions a replacement tariffs for the case that operators Grupo Iusacell, Grupo Telefonica and Unefon have not implemented the interconnection rate and sell their services below it.

The result of these resources generates no economic contingency for the Company under that for the years 2005, 2006 and 2007 interconnection fees paid by Cofetel ordered in the aforementioned resolutions.

(b) Interconnection Disagreements – Mobile Carriers – Years 2005 to 2007. With respect to Telcel, the Company filed an interconnection disagreement early on the year 2008, such proceeding being decided in fist 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 to standing to decide on the administrative review proceeding filed by Axtel, and that the Cofetel is the authority that should determine such interconnection tariffs

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

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

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

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

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

The tariffs that the Company was paying prior to the rulings, was of $1.3216 pesos per real minute to Telcel, and $1.21 pesos per rounded minute to the other mobile carriers. As of June 30, 2013, the difference between the amounts paid by the Company according to these tariffs, and the amounts billed by the mobile carriers, amounted to approximately Ps. 2,114 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 consider that there are enough elements to maintain the actual accounting treatment, and that at the end of the legal proceedings, the interests of the Company will prevail.

(c) Interconnection Disagreements – Telmex – Years 2009 to 2010. In March 2009, the Cofetel resolved an interconnection disagreement proceeding existing between the Company (Axtel) and Teléfonos de México, S.A.B. de C.V. ("Telmex") related to the rates for the termination of long distance calls from the Company to Telmex with respect to year 2009. In such administrative resolution, the Cofetel approved a reduction in the rates for termination of long distance calls applicable to those cities where Telmex does not have interconnection access points. These rates were reduced from Ps. 0.75 per minute to US$0.0105 or US$0.0080 per minute (depending on the place where the Company delivers the long distance call).

Until June 2010, Telmex billed the Company for the termination of long distance calls applying the rates that were applicable prior to the resolutions mentioned above, and after such date, Telmex has billed the resultant amounts, applying the new interconnection rates. As of June 30, 2013, the difference between the amounts paid by the Company to Telmex according to the new rates, and the amounts billed by Telmex, amount approximately to Ps. 1,240 million, not including value added tax.

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

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

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

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

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

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

Axtel, S.A.B. de C.V. reports their operations with financial derivative instruments, complementary to the 2nd Quarter Financial Information Report:

Qualitative and Quantitative Information:

Derivatives Policy

Axtel, S.A.B. de C.V. (" The Company or Axtel ")'s internal policy is to contract derivative instruments to mitigate primarily exchange and interest rate risk exposure with respect to our foreign currency obligations or commitments contracted in currencies different than the Mexican peso.

The strategy of the Company depends on the particular risk to be hedged, in accordance to the established policy. We prefer instruments that comply with IFRS of the International Financial Information Rules as hedge instruments, although other instruments can be considered also as long as such instruments reduce Axtel's risks against its foreign currency exposure. Once defined the type of financial instrument to be used, the Company deals with international counterparties on the Over the Counter market ("OTC"). The Counterparty must have investment grade by the major rating agencies or met Axtel's internal Treasury policies. The Company requests at least two quotes from counterparties. These are compared and analyzed under the parameters of the Financial Information Standard (IFRS), and then the most competitive is selected. All the operations must be authorized by the Finance, Treasury and Investor Relations Director.

The valuation agents are established in the contract of financial derivative instruments or International Swap Derivatives Association, ("ISDA") and their schedules. These documents contain the terms and conditions and the required documentation for each transaction, such as: payment dates, calculation agent, defaults, currency of delivery, margin calls and applicable legislation among others. In order to determine the mark to market on a specific date, the Company realizes their own valuations extracting economic information from specialized sources such as Reuters, Bloomberg, Banxico's web page, and other financial institutions.

During the 2nd quarter 2013 no hedge transactions were traded by the company, however, the two operations at the end of 2012 were canceled during the 1st quarter 2013; so at the end of the second quarter of 2013 the company has no operations of derivative financial instruments outstanding.

Margin calls, collateral and credit lines.

Margins calls and collaterals are established also in the ISDA agreement. These are established by the counterparties depending on the authorized credit lines and determined threshold limits. The Company does not operate with counterparties that do not offer reasonable lines relative to the size of the transaction closed. A transaction is not negotiated with a counterparty that does not offer a sufficient line related to that specific hedge.

Levels of authorization

The authorized officers to close derivative transactions are the Finance, Treasury and Investor Relations Director, with approval of the Chief Financial Officer. Depending on the notional amount of each transaction, the internal Treasury committee is informed and subsequently approves certain transactions, according to Axtel's internal Treasury policies. The procedure of every operation is realized with two or more quotes which are shown by the Finance, Treasury and Investor Relations Director to the Chief Financial Officer who decides to proceed or not with such operation.

Procedures of internal control

Once the transaction is closed the counterparty sends a confirmation which specifies the terms and conditions of the deal to the Company. The Company´s Treasury department ("Treasury") reviews it and sends it to the Accounting department for its proper registration.

In order to keep control over each transaction, on a monthly basis, Treasury executes valuations to determine the mark to market and the effectiveness of the derivative instruments. These valuations are performed with tests established in the IFRS. Once these valuations are made, the information is passed along to the Accounting department for proper registration in the books. On a quarterly basis, our external auditors review the above mentioned records applying their own valuation and calculation methods.

External Review

KPMG Cardenas Dosal, S.C., the Company´s external auditors, reviews periodically the valuation and accounting records of these operations.

Valuation Techniques

The valuation of derivative instruments with hedging purposes is realized using its fair value method.

It should be noted that because such assessments are made above according to international standards IFRS, the market value registered by the company include counterparty risk, for that reason and in case the market value is in favor of Axtel (asset) this includes the CDS (Credit Default Swap)of the counterparty, and if the market value is in favor of the counterparty (liability) the record includes counterparty risk in the record Axtel (Z-spread).

With the purpose of monitoring the effectiveness of derivatives with hedging purposes, prospective (analysis of linear regression) and 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.

Most of company's revenues are pesos denominated. With the purpose of eliminating the risk associated of having revenues in Pesos and interest payment obligations in Dollars associated with the Senior Notes (see "Debt Profile"), the Company entered into "Interest Only Swaps" and FX Forwards, whereby, the Company effectively locks the above mentioned interest payments into Pesos, met with the cash flow generated by its operation.

The Company does not currently have lines of credit for this type of instruments.

Changes in the risk exposure

The risks that are identified are the decrease of the exchange rate for all the derivative instruments.

Quantitative Information (figures expressed in thousands except that another reference is indicated).

As of June 30, 2013, the Company had no derivative instruments contracted:

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

<u>Sensibility analysis:</u>

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

<u>Presentation on the Financial statements:</u>

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