

SUSTAINABILITY REPORT 2011



axtel ®

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***In AXTEL we
are committed
to our Country.***



Thirteen years after having started operations, we have consolidated as one of the companies with the greatest development in the telecommunications industry. We are the company with the largest growth in the broad band segment in Mexico, offering the most robust solution portfolio in Information Technology and Communication. Connectivity among the different markets we serve, represents nowadays a crucial factor in the development of our Country. Thus, our commitment extends beyond our enterprise since we are a company that, besides collaborating with progress in the community we serve, it contributes to its technology and economic development.

Serving the great challenges that global markets bring, maintaining sustained growth in our organization, developing our collaborators to improve their quality of life and their families, contributing in the solution of social needs in our Country, as well as caring for the environment through our responsible operations, are challenges in which we are working arduously.

As part of this commitment, you have before you our First Sustainability Report, document that shows the strategies, actions and advances achieved by AXTEL in the year 2011 in this field.

The decision to publish this report is based on our transparency commitment with all our stakeholders. Thus we present the actions representing our efforts in the economic field, our concern in promoting fair competition in the Telecommunication Industry in Mexico, our collaborators' commitment, our respect to the communities where we operate and our concern in contributing in caring for the environment.

During 2011 we focused our efforts on aligning all these aspects to the strategies in our business, not as isolated actions but with the objective that this work philosophy may be part of the culture in our organization, strengthening in this way our permanence and growth in the market on the long term. As a part of this conviction we have joined the Global Compact United Nations endorsing our commitment to meet the ten principles that govern this international initiative.

As part of our achievements in the economic field, in 2011 there were strategies generated that will enable, amongst other things, to enlarge the utilization of our infrastructure,

establishing more competitive negotiations, reducing costs and making our commercial portfolio more robust in differentiated solutions in Information Technology and Communication.

Through AXTEL Foundation we have developed social and environmental programs that support different organizations that work for these causes. We have engaged our personnel in volunteer activities, participating actively in associations that work in favor of a more equitable and fair society. During 2011 we supported 30 projects in 14 locations, providing benefits to more than 18 thousand people.

On the other hand, our concern for our employees' health and safety is one of our priorities. In 2011 we were able to decrease the incidence, frequency and severity of work accidents through continuous training programs for our personnel and we continue working to guarantee the physical integrity of all those people who day after day make it possible for AXTEL to provide an excellent service to its users.

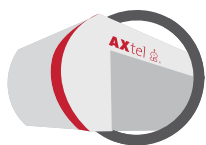
In the environmental field, we have implemented internal campaigns for energy savings, material reutilization and waste recycling, without neglecting the commitment to analyze the impact of our operations in the environment and work in actions focused on mitigation.

This report we present annually reflects our efforts in the sustainability field carried out by our company. Through it we want to communicate our engagement with society and consolidate our trusting ties, service quality and attention to those who have believed in us. I hope our readers may find this information useful.



Tomás Milmo Santos

**President of the Board and
Chief Executive Director of
AXTEL**



AXTEL

We are the Mexican Telecommunications Enterprise with the greatest growth in the Broad Band segment, and one of the leader companies with TIC (IT and Communications) solutions in the corporate, financial, and governmental sectors.

With corporate offices located in Monterrey and with presence in **39 cities in the Country**, we operate our Enterprise with the support of more than **8 thousand collaborators**, providing service during 2011 to **one million 476 thousand UGI's***, **436 thousand Broad Band Internet subscribers**, **368 thousand Internet users with WiMAX technology**, and **48 thousand clients with FTTH or AXTEL X-tremo technology**.

We serve all the segments in the market -business, financial, governmental, wholesale and residential- with the most robust offering of integral communication services in Mexico.

Our world class network comprises different access technologies such as optical fiber, fixed wireless access, point to point and point to multi-point links, offering customized solutions to our clients' needs.

The AXTEL offering includes the largest fixed wireless telephone network at a world level, the fastest Broad Band service in the Country, the most advanced solutions for data transmission and implementation of virtual private

networks, Internet page hosting, data centers, managed security, services for other telecommunication operators and voice services, among others.

AXTEL is a public company listed in the Mexican Stock Market since 2005, operating under the "AXTELCPO" symbol and since 2008 its titles are part of the Price and Quotation Index (IPC).

**UGI's: Revenue Generating Units.*



History

1994 We established the enterprise "Telefonía Inalámbrica del Norte, S.A. de C.V.

1996 We obtained the license for the Public Telecommunications Network is received.

1997 We won the operation of the radio-electric spectrum that enabled us offering our services at a national level.

1998 We became one of the enterprises with more resources in radio-electrical spectrum in the Mexican market.

1999 We launched of our commercial name AXTEL and operation start-up in the Monterrey area.

2000 The Mexican President officially opened AXTEL at a national level. Operation start-up in Mexico City, Monterrey and Guadalajara.

2001 Starting this year we extended our operation to 36 more cities.

2003 We issued debt bonds for \$175 million dollars in the global market.

2005 The entered to the process of public issuing of shares in the Mexican Stock Market (BMV), becoming a public entity.

2006 Acquired Avantel.

2009 We received the license to offer Pay TV or Satellite TV services.

2010 We launched AXTEL X-tremo, the fastest and more advanced Broad Band service in México.

2011 We adhered to the United Nations Global Compact.

Certifications and Recognitions

As part of our commitment with quality, service, and continuous improvement, we have received different recognitions and certifications granted by national and international organizations who guarantee our constant determination and effort to continue being a world class enterprise.



Year obtained and/or renewed	Description
2011	<p>The affiliation to the United Nations Global Compact was signed (ONU).</p> <p>The distinction as Socially Responsible Enterprise, granted by the Centro Mexicano para la Filantropía was obtained for the fourth consecutive year (CEMEFI).</p> <p>We achieved the Managed Services Channel Partner (MSCP) certification from Cisco in Mexico and Cisco Gold Partner, with which we proved having the abilities to provide and guarantee the clients the operation of their managed services, aligned to the best IT and ITIL practices. This makes us the only Carrier in Mexico that has achieved this recognition.</p> <p>ICREA is an international association formed by engineers specialized in computer center design, construction, operation, maintenance, acquisition, installation and auditing. AXTEL is classified in Level 3, which means we have reliable computer rooms with Certified World Class Environment S-WCQA (Safety World Class Quality Assurance).</p> <p>For the second consecutive year we received the certification for the Standard for Excellence in Contact Centers (NECC) .</p>
2007 thru 2011	<p>During these years we have received and renewed the following certifications: ISO 9001, ISO 27001 and ISO 20000.</p>
2010	<p>PCI Certification, from Security Standards Council, in the modality of service supplier. This achievement enables AXTEL to be positioned as the first service supplier (SOC, Data Center and MPLS Internet) that meets best practices in security in the telecommunications industry, as well as for the clients who use credit card payment. The certification was renewed in 2011.</p>
2008 and 2009	<p>AXTEL was recognized by Asociación Iberoamericana de Relación Empresa Cliente (AIAREC) as the best Enterprise in client experience in the fixed Telecommunications sector.</p>

Services and Technology

Our commitment is placing our telecommunications networks day after day in service of more Mexicans.

The services we offer in AXTEL on the residential, business and governmental segments comprise a broad range of plans and programs enabling our users to have alternatives according to their needs.

Service	Residential	Business	Government
AXTEL Universal Access: Internet plus telephone.	✓	✓	✓
AXTEL X-tremo: extreme speed zone in Internet connection.	✓	✓	✓
AXTEL Home Plan: savings when hiring plans with different service combinations.	✓	✓	
AXTEL Telephone: telephone service communication.	✓	✓	✓
AXTEL With Me: portable telephone line through WiFi connection.	✓		✓
AXTEL WiFi Networki: wireless connection network at home.	✓	✓	

Service	Residential	Business	Government
AXTEL Membership: service packages for emergency assistance, medical discounts and life insurance, providing benefits for all the family.	✓		
AXTEL Store: offers the possibility to acquire different products in installments.	✓	✓	
AXTEL Cards: pre-paid telephone cards that enable making calls to all Mexico and abroad from any public or private telephone in the Country, United States or Canada.	✓		✓
AXTEL Expert: expert advisor service to help resolve situations or problems with the user's computer.	✓		
AXTEL Broad Band: navigation service from every location.		✓	✓
Data and Networks: VPN Broad Band AXTEL, Ethernet, Internet2, Dedicated Internet, Broadband Internet, Private Lines, IP Multiservices.		✓	✓
Equipment: CPEAXTEL Equipment, CPE Maintenance, Switches/Routers.		✓	✓
Data Centers: Shared WebHosting, Virtual WebHosting, Dedicated WebHosting, Co-location.		✓	✓
Managed: Broad Band Management, Managed Monitoring, IPPBX Management, Content Filtering, Clean Pipes, Managed Security, Network Management.		✓	✓
AXTEL Voice: AXTEL Intelligent Line, AXTEL Virtual Line, IP Trunk lines, Digital Trunk Lines, Long Distance, 800 Services, Audio-connection, Audio-messaging.		✓	✓
AXTEL Integrated Services, Infrastructure: Site Adaptations, Structured Cabling, Contact Center.		✓	✓
AXTEL Integrated Services, Applications: Electronic Invoicing, Netconference.		✓	✓

For greater detail of the benefits provided by each one of our services visit:
<http://www.axtel.mx>

AXTEL Regions

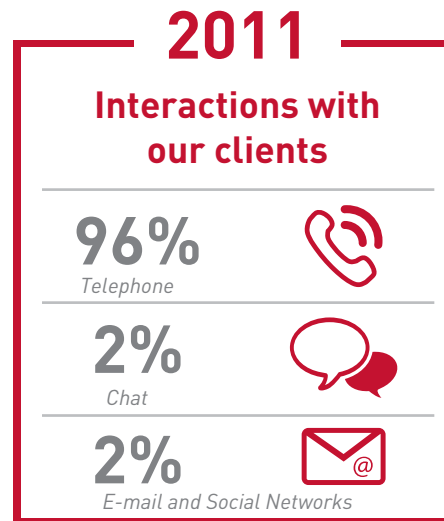


AXTEL Customer Satisfaction

Our key objective is our customers' satisfaction while serving their communications needs and exceeding their expectations. In AXTEL we are working to provide these services in a sustainable manner: socially, ecologically, and economically.

Our customers have different mechanisms to contact the company, either to communicate service malfunctioning, to solve technical -operational and administrative- problems, to hire our services, as well as to give their opinion regarding the satisfaction provided by our company. This is done through Customized Service Modules, Customer Service Centers, surveys and service calls.

We have available forms of contact for our customers with extended service schedules.



Our Internal Policy for Customer Service has been developed and implemented in order to give follow-up and respond all the complaints received from PROFECO (Federal Consumer Protection Office) and from COFETEL (Federal Telecommunications Commission).

During 2011 we served and gave follow-up to 6 million 285 thousand 100 interactions with our customers through our different Contact Centers.

AXTEL Customer Satisfaction Assessment

Our interest in continuous improvement has prompted us to carry out biannual satisfaction evaluations with AXTEL customers.

These evaluations are carried out through an external marketing service provider that uses a standardized methodology to identify and measure the attributes with the greatest relative importance for the customer.

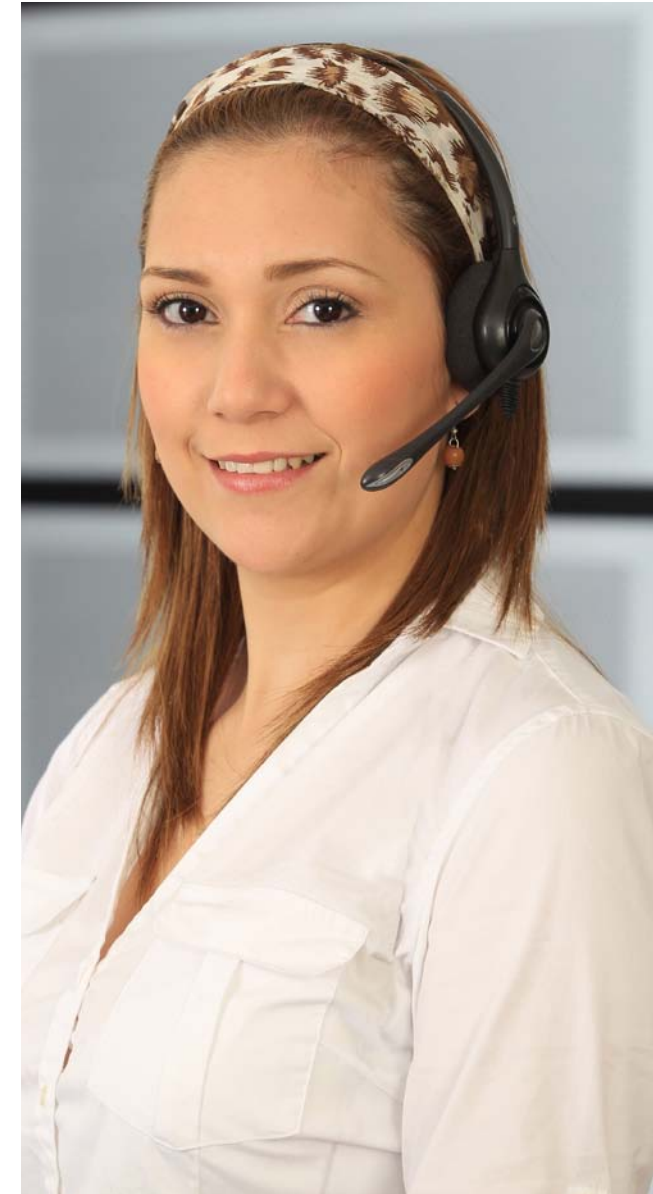
In these survey exercises, users from all the segments in which we provide services participate:

- **Residential**
- **Micro and Small Businesses**
- **Businesses**
- **Corporate**
- **Government**

This methodology generates information related to our customers' satisfaction enabling us to redefine and focus our attention strategies and establish improvement actions in those attributes recognized as perceived value by the users.

We evaluate each one of the moments of truth that the customer goes through, that is, all the interactions the customer has with the company.

- **Pre-selling and selling process**
- **Installation process**
- **Use of products and services**
- **Customer service**
- **Malfunctioning repairs**
- **Invoicing**
- **Collections**





AXTEL Customer Satisfaction Index 2011

Segment	Average*
<i>Corporate</i>	4.9
<i>Enterprise</i>	4.01
<i>Government</i>	4.05
<i>Business</i>	3.93
<i>Residential</i>	4.47

*On a scale from 1 thru 5

These measurement exercises provide relevant information for our analysis and decision making:

- Customer Satisfaction Index by segment, with which we carry out the analysis to verify our continuous improvement.
- Net Promoted Score (NPS®), is a value that indicates the degree of customer recommendation regarding service and enables us to benchmark with international references and from different industries.
- Analysis of attributes and their importance in the moment of truth evaluation, as well as key drivers for our customers.

AXTEL Technology

We have the most advanced technology resources in the market to provide the best communication solutions. The access technologies we use in our operation are: optical fiber cable, fixed wireless access, point-to-point radio, point-to-midpoint radio and copper technology.

AXTEL Digital Network

The AXTEL Digital Network comprises the combination of the best technology solutions existing in the telecommunications market. These are the result of years of research, development, and experience in the field from leader companies around the world.

Among the advantages emerging from our Digital Network we can find the following:

- **Integration of local, long distance telephone services.** Internet and value added services. Allows us to offer one invoice for all the services requested, besides significant savings for our users.
- **Combination of state-of-the-art technologies.** Our access technologies include optical fiber cable, fixed wireless access, point to point radio, point to multipoint radio and copper technology.
- **Totally digital Network.** Having a totally digital network enables us to provide a service with better quality, security, reliability and speed than the one offered through analog transmission.
- **Reliability.** The AXTEL Digital Network has the necessary attributes to provide services in case of any contingency.
- **Fast installation.** Services may be installed and activated the same day.

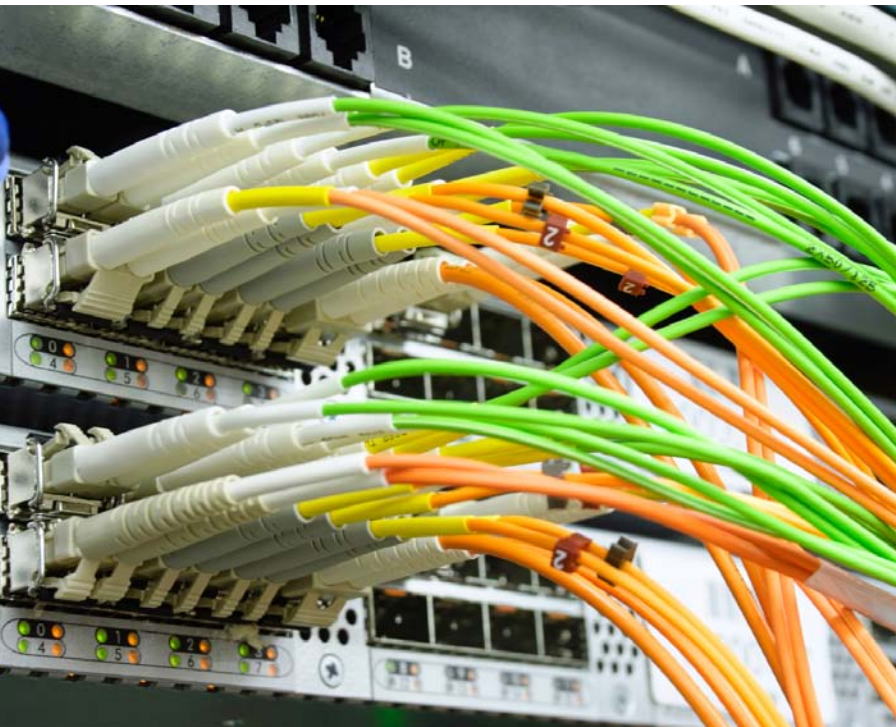
- **Complete compatibility.** The technology solutions we offer in AXTEL are totally compatible with the existing telephone devices in the market, with private switchboard equipment (PBX) and other devices.
- **Easy updating and enlargement.** Being totally digital, the AXTEL network enables carrying out equipment updates or service enlargement without any difficulty.
- **Flexibility.** Enables our clients to integrate different communication solutions according to their needs easily.



Optical Fiber

For clients who require high capacity transportation and a direct connection to the network, AXTEL offers solutions through optical fiber cable. The advantages in this technology include the following:

- Greater quality and reliability in voice and data digital transmission.
- Utilization of advanced SDH (Synchronous Digital Hierarchy) technology to broadcast information faster and less expensive than traditional PDH (Plesiochronous Digital Hierarchy).
- It handles a great band width (1 a 1,008 E1s).
- Offers greater distances for transmission.
- Enables redundant ring configurations, increasing the reliability of the services even more.
- More durability of the network since lost links are identified fast and are routed again without even noticing it.
- This same network supports MetroEthernet technology to make type LAN-LAN (Local Access Network), connections, making it possible to extend the scope of the clients' local networks at a metropolitan level, integrating in this way different offices in the same local network with the highest reliability and security.
- The extension of the optical fiber network to residential areas with FTTH (Fiber To The Home) technology enables delivering very high capacity services for the home, as well as for small and medium size businesses.



Fixed Wireless Access

It is an ideal solution for residential clients and small businesses. This access is carried out using 50 MHz spectrum within the 3.4GHz band at a national level. This access enables providing local, long distance telephone service, Internet and value added services. It is not a mobile telephone service.

The advantages of fixed wireless access are:

- Complete transmission services for voice, data and Internet.
- AXTEL Solutions (value added services) including caller-ID, call waiting, call forwarding, tripartite call, and voice mail and call control.
- Security.
- Flexibility.
- Fast installation.
- Total compatibility.
- Reliability.
- Quality.
- Lower maintenance costs.
- Faster network deployment.
- Coverage in areas with difficult access in wire networks.
- Minimum impact on environment.

The AXTEL service for residences and small businesses is based on FWA wireless technology (Fixed Wireless Access).

This technology supports the traditional telephone services (local and long distance) as well as Internet and value added services.

In order to meet the clients' needs and be able to offer new services, the WiMAX technology was integrated, enabling us to deliver data links with higher speed using the IP protocol in a native manner, making converging services a reality thanks to this.

Point to Multipoint Radio

For clients who require medium capability for voice and data services, we have point to multipoint technology. For this technology, in AXTEL we have available 60 MHz spectrum, with national coverage, within the 10.5 GHz band.

Advantages of point to multipoint radio:

- Quality and clarity in transmission.
- Dedicated data services (n x 64).
- Security.
- Fast deployment of multiple lines according to client needs.
- Reliability.
- Low maintenance costs.
- Broad geographic scope.
- Minimum impact on environment.
- Symmetric high speed services for private connections.



Point to Point Radio

In order to satisfy our clients' communication requirements who require high capacity and broad coverage services we offer this digital technology. For the point to point communication at a national level, AXTEL has 100 MHz spectrum within the 23 GHz band and 120 MHz spectrum within the 15 GHz band.

Advantages of point to point radio:

- Complete transmission services: voice, data, and Internet.
- Total security in calls.
- Fast deployment of E1 capabilities.
- Useful as access and transportation technology.
- High reliability in voice and data transmission.
- Greater clarity in voice transmission.
- Low maintenance costs.
- Broad geographic scope.
- Minimum impact on the environment.



Intelligent Network

At AXTEL we use this technology to expand the possibility in the creation of switching services in a more reliable and versatile way, with a platform designed exclusively for this purpose.

Advantages of the Intelligent Network:

- More reliable voice services.
- More versatile voice services.

Services customized according to the client's needs, such as general information services, automation and customization for incoming calls, customer service, Contact Centers, probing and surveys, 800 and 900 numbers, amongst others.



Technology Suppliers

Airspan

Wireless telephone network in FWA

Cisco

Router platform:

- Internet supplier
- Corporate network
- AXTEL network

Alcatel-Lucent

All Wave optical fiber

PBXs

MetroEthernet

Microsoft

Electronic messaging

Operating systems

Nortel Networks

Telephone DMS 100-250 exchange

Optical fiber equipment

Softswitches

Nokia Siemens Networks

Microwave point to point and multi-point radio

Multiplexing

DWDM optical network

Ericsson

AXE telephone exchange

Optical fiber equipment (Marconi)

Microwave and PMP (Marconi) Radios

SRT Telecom

Microwave point to multipoint system (PMP) and Broad Band

HP

Operation support systems

IBM

Operation support systems

Oracle

Database for operation support

Symantec

Network security

Sycamore Networks

Transportation network

Genband (Antes Nextpoint)

Network equipment

Comptel

System activation and mediation

SAP

Business management

Huawei

Optical fiber equipment

Softswitches

Routers

Microwave Networks

Ethernet radios

High capacity radios for the network

Harris

Management systems integration

Microwave radios

Motorola

WiMAX technology

Comverse KENAN

Invoicing system

SUN

Operation support systems

Siebel (Oracle)

CRM

Tellabs

Optical fiber multiplexor equipment

EMC

Operation support systems

Panasonic

Multi-line equipment

Private switchboards (PBX)

Jnetx

Intelligent network services

Local numeric portability

Sixbell-Nekotec

Local numeric portability gateway

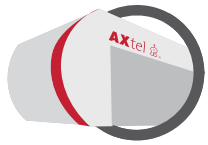
Telcordia

Network inventory system

Stratus

Mediation equipment

Signaling equipment for numeric portability



AXTEL Culture

At AXTEL we promote congruency in our daily behavior amongst those who are part of the organization and all those with whom we relate.

We want to continue being a leader enterprise in supplying telecommunication services, providing quality and progress to our Country. Likewise we want to promote a work culture with the convergence of individuals who are critical in their daily work and engaged with society, highly qualified as professionals and responsive to our clients' needs through adjustment to the change processes demanded by the global market.



Mission

Improving communication to improve on life.



Vision

Innovating communication experiences getting people closer to what is most important for them.



Values

Commitment

- Honoring promises: meeting what I promise.
- Increasing possibilities.
- Making complaints or declaring satisfactions.
- Contributing with society.

Honesty

- Respecting the truth: deciding to do the right thing.
- Building trusting relationships.
- Respecting others.
- Declaring and learning from my mistakes and successes.
- Responding requirements realistically.

Service

- Excellence and attitude when doing something in favor of others: listen and satisfy needs.
- Surprising others positively exceeding their expectations.
- Making proactive offerings.
- Enriching our work taking care of the way.

Communication

- Improving the quality of our dialogues at every moment: sharing what we are, do, and learn.
- Making clear requests.
- Declaring improvement areas.
- Feedback.
- Thanking and recognition.

Innovation

- Making new ideas in a reality: transforming life.
- Improving others' life.
- Generating new experiences.
- Creating new ways to do things.



Human Rights

Convinced that respect toward the human rights for all individuals is the only pathway to achieve harmony, development and promoting values, in 2011 we voluntarily adhered to the United Nations Global Compact, initiative that promotes 10 universal principles for entrepreneurial sustainability:

Human Rights

- Enterprises must support and respect the protection of human rights proclaimed in the international arena.
- Enterprises must ensure not being an accomplice in human rights abuse.

Fight against corruption

- Enterprises must work against corruption in all shapes and forms including extortion and bribery.

Work Standards

- Enterprises must respect freedom of association and an efficient recognition of the right for collective negotiation.
- Enterprises must eliminate all forms of forced or mandatory work;
- Enterprises must abolish child labor effectively and
- Enterprises must eliminate discrimination in regards to employment and occupation.

Environment

- Enterprises must support preventive methods in regards to environmental problems.
- Enterprises must adopt initiatives to promote a greater environmental accountability.
- Enterprises must promote the development and communication of harmless technologies for the environment.

Likewise, in AXTEL we are committed to complying with the current laws in our Country in regards to human rights and Federal Labor Law and respecting the individual and collective agreements from our workers.

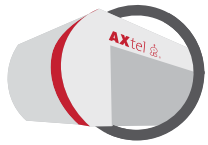
This is shown in our Human Rights Policy* in which we declare our standpoint toward individual's respect in all its expressions, rejecting discriminating actions, child labor, forced labor, abusing behaviors, coercion and threat. In 2011 AXTEL did not receive through its communication

media and/or contact, any complaint related to discrimination or Human Rights violation incidents.

With the objective of continuing to promote respect for all individuals -inside and outside the organization- our commitment for 2012 is integrating the subject related to Human Rights into the Ethics Code governing us, and giving the appropriate communication to ensure its content is known and it is practiced.

**In order to learn the complete document please visit: www.axtel.mx/sustentabilidad*





Corporate Governance

Board of Directors and Management Team



Board of Directors

The Board of Directors is the supreme entity governing corporate decisions at AXTEL. Integrated by a group of 11 proprietary board members – four of them independent – and 10 substitute board members, we have achieved a Governance structure that is robust, capable of identifying crucial aspects and potential risks in our company. The key function of the Board of Directors is, leading, together with the Chief Executive Officer, the administration of the Enterprise.

The Board of Directors, chaired by our Chairman and CEO, is who establishes the

guidelines for our business strategies and oversees their compliance. The operation of the Board of Directors and the Auditing Committee and Company Practices carry out their functions following the current Stock Market Law (LMV), published in the Official Federation Gazette.

Likewise, retribution to the members of the Board of Directors is determined annually by the Shareholder Meeting of the Company.

Their main obligations are:

- I. Establishing the general strategies to guide the company and the individuals it controls.
- II. Supervising management and guidance of the company and the individuals it controls, as well as the performance of the relevant directors.
- III. Approving representative policies, guidelines and operations for the company; naming, electing and, in its case, removing the General Director; policies in regards to loans and collaterals; waivers for board members and/or directors to take advantage of business opportunities which correspond to the company or the individual it controls; guidelines in regards to internal control and internal auditing; accounting policies; financial statements; hiring an individual who provides the external auditing services and, in its case, additional or complementary services to the external audit.
- IV. Submitting reports to the General Shareholder's Meeting celebrated at the end of the social administration.
- V. Giving follow-up to the main risks to which the company and individuals it controls are exposed.
- VI. Approving the information and communication policies with the shareholders and the market, as well as the board members and relevant directors.
- VII. Determining the corresponding actions in order to rectify known irregularities and implement the corresponding corrective measurements.
- VIII. Establishing the terms and conditions to which the General Director will adjust while executing acts of ownership.
- IX. Ordering the General Director to openly reveal the important events he has knowledge about.

The Board of Administration is also responsible for overseeing compliance of the agreements emerging from the shareholder meetings, which can be carried out through the Committee that performs the auditing functions to which this Law refers.

AXTEL Board of Administration

Tomás Milmo Santos
(Chairman of the Board and Chief Executive Officer)

Thomas Milmo Zambrano

Lorenzo H. Zambrano Treviño

Alberto Santos de Hoyos

Patricio Jiménez Barrera

Alberto Garza Santos

Fernando A. González Olivieri

Héctor Medina Aguiar*

Bernardo Guerra Treviño*

Fernando Quiroz Robles*

Lawrence H. Guffey*

The Independent Board Members at AXTEL are not linked with the Management team of the company, thus they have an impartial point of view and are free of conflicts of interests while not being subject to personal patrimonial or economic interests.

Substitute Board Members

Alberto de Villasante Herbert

Balbina Milmo Santos

Francisco Garza Zambrano

Alberto Santos Boesch

Andrés Velázquez Romero

David Garza Santos

Ramiro Villarreal Morales

Mauricio Morales Sada *

José Jorge Yáñez Cervantes *

Benjamin Jenkins *

**Independent Board Members*

Committees

The Auditing and Company Practices Committee reports directly to the Board of Directors and comprises three independent board members.

This Committee is one of the communication channels of the Board of Directors with the management levels in the company. Among its main functions it has surveillance of management, guidance, and administrative and financial execution of AXTEL.

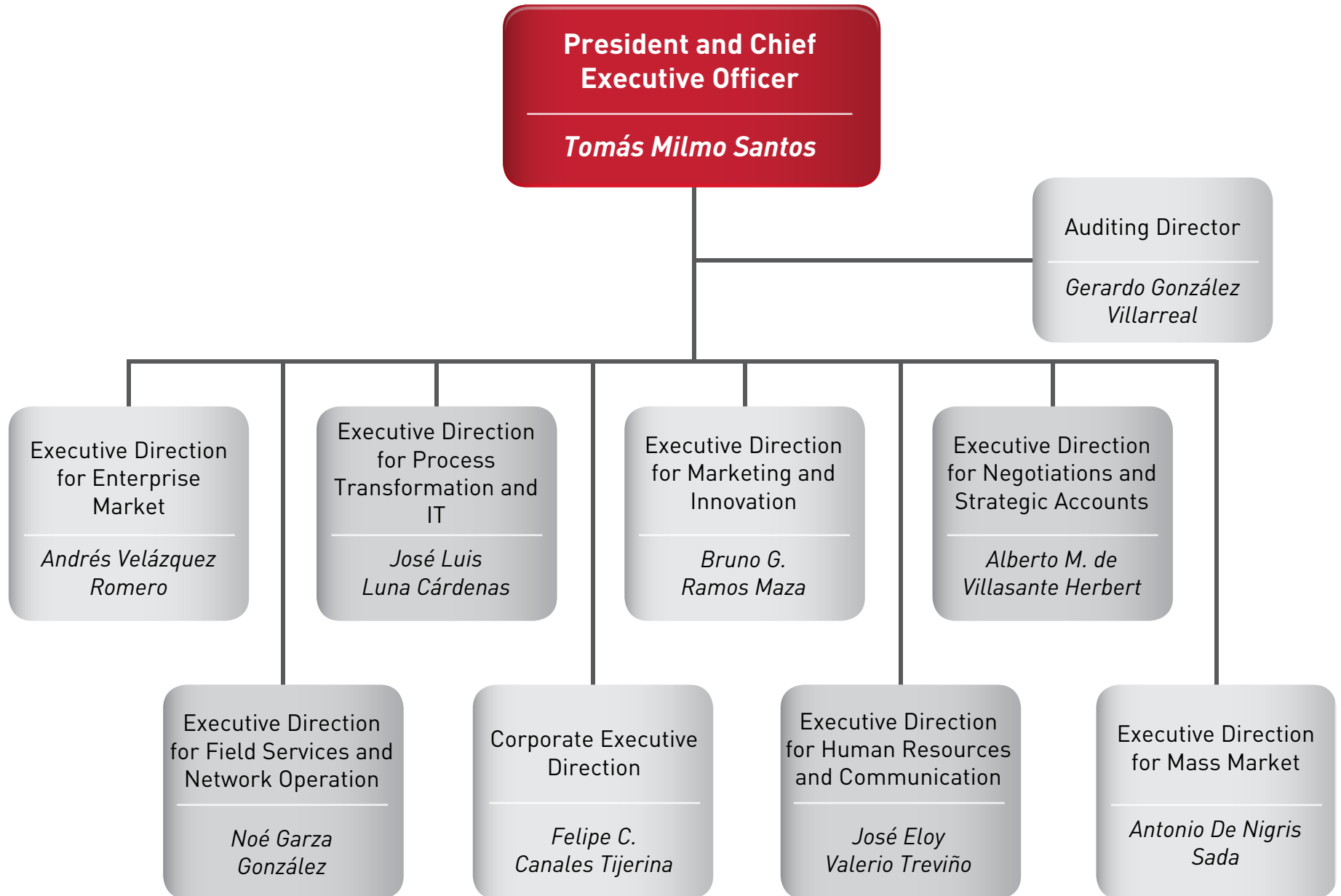
Likewise, it recommends the Internal and External Auditing areas the actions to follow in regards to significant financial matters for the company.

The areas for Investor Relations and Relationship with Media are the communication routes assigned for receiving the comments and/or recommendations that our stakeholders wish to send to the Board of Directors members.

The email to send comments is: contacto@axtel.com.mx



Management Team



Risk Management

The structure of Corporate Governance at AXTEL comprises business individuals with a high level of knowledge in the business field, all of them with expertise in different industries ensuring that our enterprise may be guided appropriately through the identification, assessment and decision making of key aspects for our growth. Their expertise enables us, at the same time, to identify and manage the potential risks to which we are exposed.

The Internal Auditing area reports to the General Director and it is the organization responsible for monitoring the Internal Control System through which the -financial and non-financial- business processes of all the company are assessed:

- Revenues
- Supply Chain
- Corporate Governance
- Related parties
- Asset safeguards
- Information Technology
- Law and Regulation Compliance

The Key Risks for our company are determined through a risk assessment matrix according to the exposure we have in regards to the aspects identified and the likelihood they have in impacting our transactions.

During 2011 the Internal Auditing area carried out a review of the Internal Control System without detecting deficiencies or material deviations. The most relevant processes for AXTEL related with the following subjects were reviewed in this period:

- Revenue recognition
- Capitalization of in-process projects
- Capitalization of operation expenses
- Inventories

- Service delivery
- Information Technology Strategies (TI)
- Entity level Controls

In order to ensure the appropriate management of the potential risks to which our company can be exposed, we have identified 49 factors related with the following aspects:

- Risks related with the company
- Risks related with the Telecommunications Industry in Mexico
- Risks related with Mexico
- Risks related with CPOs
- Other risk factors



Business Ethics

At AXTEL honesty is part of our values. Working under a frame of integrity in our daily behavior is essential for our enterprise. We seek to generate relationships based on the constructive dialogue that trust amongst all our stakeholders promotes.

According to our commitment with honesty and ethics, as part of the business philosophy at AXTEL we have an Anti-corruption Policy and an Ethics Code, taking as a reference the guidelines against corruption established in the tenth principle of the United Nations Global Compact. Through these documents we promote making our collaborators and board members the role models with their behavior in any deal or negotiation on behalf of the company, working under the legal frame of our Country and with those with which we have commercial exchange.

The Ethics Code also provides a guide to solve conflicts of interest that may emerge between collaborators and external entities with whom we interact, as well as the ethical obligations toward

AXTEL, as a socially responsible Enterprise adheres to the guidelines established by the Inter American Convention against Corruption and the United Nations Convention Against Corruption, emphatically rejecting any action that implies or promotes bribery or extortion.

the company, investors, clients, creditors, suppliers, competitors, and authorities.

The Ethics Code* addresses the following core guidelines for our organization:

- Work behavior
- Communication
- Conflict of interests
- Personnel hiring
- Honesty, loyalty, and integrity
- Confidential information
- Work security

- Relationship with clients, community, government and suppliers
- Promotion and selling
- Environmental accountability

Our commitment for 2012 is strengthening the communication for its knowledge amongst a hundred per cent of our personnel.

**In order to learn the content of all the document please visit the web page:
www.axtel.mx*

Transparency Mailbox

The Transparency Mailbox is an efficient mechanism that helps us oversee compliance in policies, procedures, and obligations on ethical character.

This system can be accessed by our employees and the community in general so they may report anonymously or personally any situation affecting trust in our values and/or going against our Ethics Code.

The main objectives in this mechanism are:

- a) Receiving, maintaining, and treating the complaints received in the company, in regards to accounting, internal control, faults to the Ethics Code, stealing or asset abuse, inappropriate use of privileged information, bribery, policy non-compliance, amongst them the one related to No Presents, Anti-corruption and Suppliers, and activities that may be assumed as fraudulent.
- b) Providing total security to the accuser regarding treatment and confidentiality of their complaint through the Transparency Mailbox.
- c) Protecting against any revenge or reprisal action to the individuals who denounce any irregularity in good faith.

AXTEL provides the trust of maintaining under confidentiality the identity of the claimant, considering that during the investigation it might be necessary to identify the source of the claim for the purpose of the investigation, without implying that the claimant is openly exposed.

The Auditing Direction is the internal entity responsible for receiving, giving follow-up and solving complaints, for sensitive issues reviews are carried out along with the Committee for Honor and Justice, integrated by the Legal Director, the Human Resources Director and the Auditing Director.

Complaint flow in the AXTEL Transparency Mailbox



Channels to carry out complaints

The channels available to deliver a complaint to the Auditing area, anonymously and confidential are: email, telephone or personal interview.

In order to carry out such complaints, you must address the following contacts:



**Free telephone line:
01 800 087 0909**



**E-mail:
transparenciaaxtel@axtel.com.mx**



**In our corporate offices with the
Auditing Director and/or Corporate
Governance Manager**

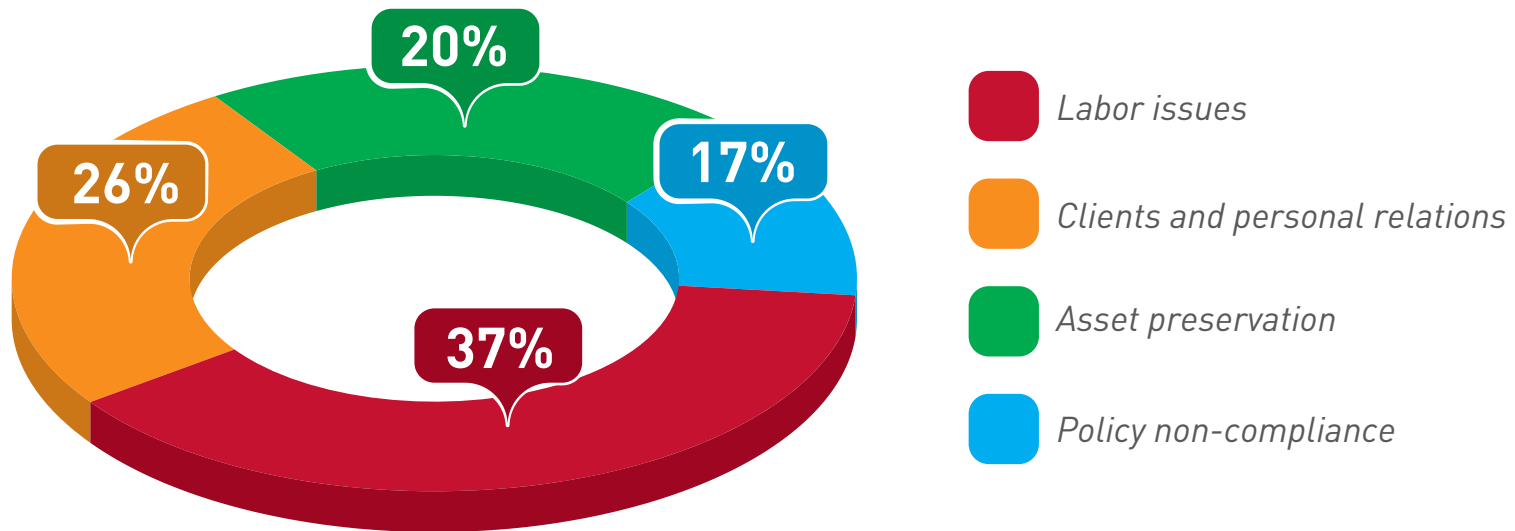
***The email and telephone
number are available
24 hours 365 days a year.***

*Information available for clients and
suppliers in the web page www.axtel.mx in
the following section.*

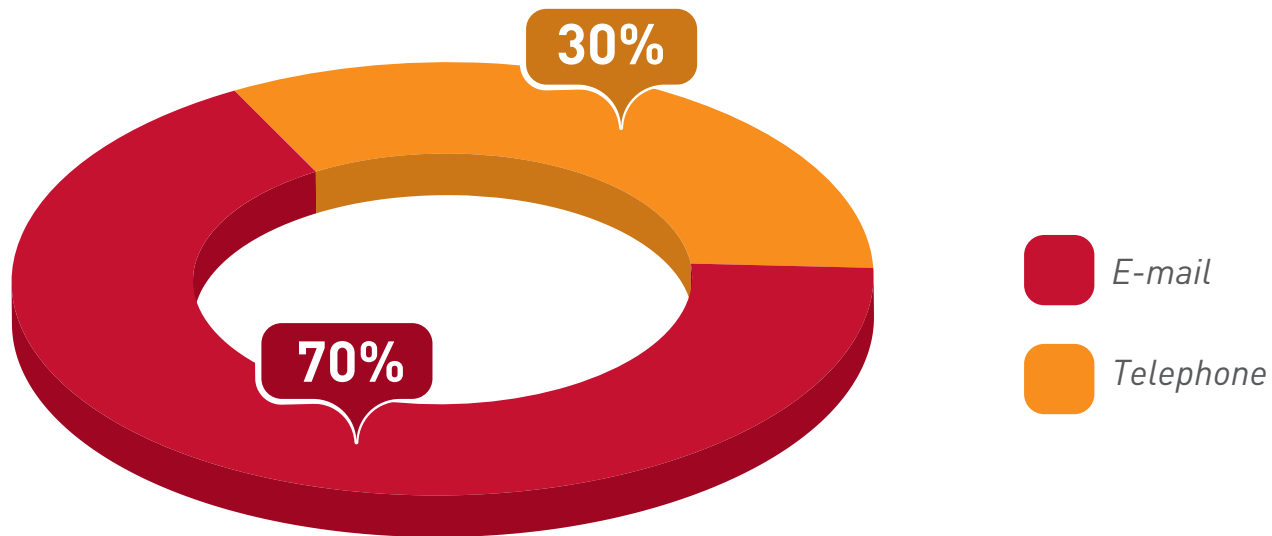
• *Regarding AXTEL/contact/Transparency
Mailbox*

In 2011 we received 107 complaints, none of them were related to the breaching of the Anti-corruption Policy.

Complaints received through the Transparency Mailbox in 2011



Ways for complaint receiving in 2011



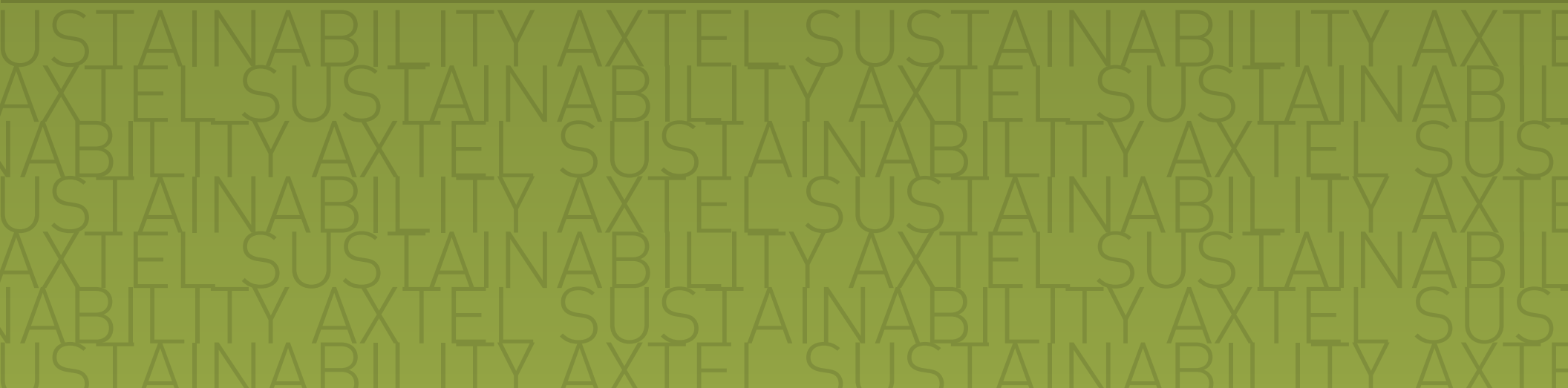
The allocation of the complaints for their attention was carried out in the following way: 43% was handled by the Human Resources area, 31% by Customer Service, 25% by auditing, and 1% by Loss Prevention.





AXTEL

SUSTAINABILITY



Sustainability at AXTEL is a topic that takes our time nowadays. Determining, measuring and caring for the most important aspects in the economic, social, and environmental matters in our company, as well as impact that our operation may cause on the environment, on society and on our stakeholders is now an aligned strategy focusing only one way.

Thus in 2011 we worked on developing and implementing policies that guide our actions regarding these topics. Year after year we search to improve the relevant indicators for AXTEL and include – in all our activities – actions focused on optimizing our performance, administrative as well as operational, always considering that these must not affect future generations in any way.





AXTEL Sustainability Policy

The commitment with Sustainability at AXTEL is shown in:

- *Managing our activities integrally, ethically, and in a transparent manner.*
- *Working to improve not only communications but also the lives of our collaborators, clients, suppliers, shareholders, investors and stakeholders.*
- *Executing actions that ensure economic, social, and environmental sustainability.*



Loyal to the principle of generating value for the enterprise and society, AXTEL collaborators are governed by a Sustainability Policy that includes the following guidelines:

- Meeting the municipal, state and federal current regulations.
- Establishing policies to protect collaborators' labor rights, as well as their physical integrity, promoting hygiene and safety practices and a healthy and safe environment in all the facilities and buildings.
- Respecting human rights, developing a favorable frame for labor relations based on equality, respect for diversity, and no discrimination, rejecting forced labor, slavery, and child labor.
- Adopting Corporate Governance practices, based on business ethics and transparency, carrying out strict control for risks, promoting trust in our collaborators, clients, investors, shareholders, and stakeholders.
- Rejecting bribery, corruption or any other type of contribution practices, to obtain business advantages.
- Promoting a culture of respect for the environment focused on reducing environmental impact from our activities, defending biodiversity and fostering care for Nature.
- Informing all our stakeholders, truthfully and timely, about the activities carried out by the company.
- Developing programs that contribute with social sustainability in the communities, promoting productivity, education and personal growth, with the support and collaboration of all our collaborators.
- Searching for continuous improvement in all our processes, projects and personal development, in developing technologically innovating products and services that contribute in the growth of our society.



AXTEL Sustainability Model





AXTEL Sustainability Declaration

As the basis of the AXTEL Sustainability Model, its application, development and consolidation is supported on the definition and establishment of a Sustainability Strategy which leads key decisions and actions in the enterprise.

AXTEL Global Sustainability Strategy

With our work and environmental practices, we search to contribute to a more sustainable future with the honest, ethical and responsible proposition for innovating solutions that make access to information technology and communication affordable for society.

AXTEL Economic Strategy

Our commitment is to manage honestly our technology, economic and financial resources, in order to efficiently operate under strict risk control and adhered to the legislation, enabling the successful and sustainable growth of the company.

AXTEL Social Strategy

We promote sustainable development of our society, carrying out actions that benefit our collaborators and our external communities, providing them tools that enable them to have access to better opportunities in education, health and an honorable life.

AXTEL Environmental Strategy

We seek to reduce negative impact in our operational practice in the environment, reviewing our procedures, developing new technologies and improving our methods to preserve resources and establishing a harmonious relationship with Nature.



Stakeholders

The inclusion and participation of Stakeholders with which AXTEL relates is a key aspect in the development and execution of our Sustainability Strategy.

For those of us who are part of AXTEL it is crucial to promote trusting and close relationships between clients, suppliers, collaborators and all the entities that interact with our company.

With the purpose of developing effective communication strategies, we have carried out a recognition exercise for those individuals and organizations with which we have a greater interaction and influence in our operations, identifying 41 groups we have unified into seven large blocks:



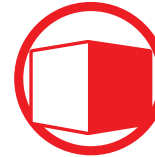
Employees



*Investors and
Financial Sector*



Clients



Suppliers



Government



*Civil Society
Organizations and Groups*



Competitors

Current Communication Mechanism

Employees

Individuals performing a function to serve AXTEL, as well as those individuals or groups who have a direct relationship with our collaborators or may impact its productivity.



- Intranet
- E-mail
- Corporate Communication Board
- AXTEL meeting with General Director
- Monthly Electronic Newsletter
- Transparency Mailbox
- Printed materials and brochures

Investors and Financial Sector

Entities and/or individuals that maintain financial interests in AXTEL or collaborate so the information for these groups may be clear and timely.



- Internet Web page, section Investors Relationship
- Face-to-face meetings
- Telephone conferencing
- Annual Shareholder Meeting
- Transparency Mailbox
- Mailbox for investors contact

Clients

Individuals or groups that use AXTEL services, sometimes or periodically, to cover their communication needs.

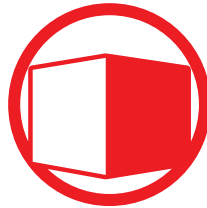


- Mass communication media
- E-mails
- Invoicing
- Brochures
- Contact Center
- Web page
- Transparency Mailbox
- Contact Mailbox
- Facebook
- Twitter
- Suggestion Mailbox (at Customized Service Modules)

Current Communication Mechanism

Suppliers

Organizations or individuals with whom AXTEL maintains commercial relations for the exchange of goods or services that support the execution of our administrative and operational activities.



- Supplier Extranet
- E-mails
- Face-to-face meetings
- Committees
- Group of official spokespeople
- External Communication Department
- Internal Communication Department
- Transparency Mailbox
- Contact Mailbox

Government

Government entities with which AXTEL interacts for the correct execution and service rendering, always respecting the legal frame that governs in Mexico.



- Face-to-face meetings
- Committees
- Group of official spokespeople
- Corporate Communication Department
- Transparency Mailbox
- Contact Mailbox

Civil Society Organizations and Groups

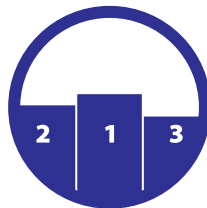
Civil society organizations with which the company is related with the purpose of exchanging services, knowledge and/or mutual support (or in one way), for the benefit of the enterprise, the members of the organizations, or both parties.



- AXTEL Foundation
- AXTEL Foundation e-mail
- Transparency Mailbox
- Contact Mailbox

Competitors

Information Technology Enterprises that offer the same or similar services as AXTEL with which there is constant dialogue in order to achieve a competitive development in the Telecommunications Industry.



- Committees
- Transparency Mailbox
- Face-to-face meetings

During 2011 we carried out specific communication activities in relation to the following Stakeholders and topics:

- In AXTEL we have a Social Responsibility policy in the Commercial Interaction with Competitors that establishes respect to the existing regulation to generate competitive market conditions, offering conditions of equal treatment to the dealers.
- We communicate our Anti-Corruption and No Present Policy among our suppliers and collaborators, to ensure that negotiations are carried out within a frame of ethics and accountability.
- We send a communication to all our suppliers and service providers requesting compliance of the current legislation in regards to labor matters, as well as ensuring their ability to provide professional services respecting human rights and current laws in our Country.
- The Ethics Code has the specific guidelines regarding the behavior of our collaborators at an internal level as well as external from the company.
- We have a Code of Trade Practices approved by COFETEL (Federal Telecommunications Commission), public document with the purpose of regulating AXTEL relationships with its clients.
- This instrument serves as a guideline for clients as well as for AXTEL employees in regards to any clarification, service definition, dispute or complaint related with telecommunication services provision.

To promote dialogue with our Stakeholders, the Transparency Mailbox has been formalized and is available in the Internet web page 24 hours, 365 days a year, through email and a free telephone line (1-800- 087-0909).

** Document available for consultation at our AXTEL Integral Center and in the Customized Service Modules*





PROJECTS THAT
TRANSFORM LIVES



Six years working for a better Mexico

Convinced that social transformations emerge from profound changes in individuals and their communities, since 2005, at AXTEL Foundation we have supported more than 200 projects related to human, community, and environmental development in Mexico.

Priority causes for AXTEL Foundation

Human Development

Through this program, in AXTEL Foundation we promote processes that support individuals in learning and strengthening their personal and professional abilities.

We support economically projects that develop abilities in individuals and strengthen their individual and social responsibility, assisting them in taking control of their own life and actively participate in the transformation of their social environment.

Community Development

Our objective is promoting sustainable and equitable community development. We support the work in organizations whose projects search a better quality of life and development opportunities for their inhabitants and also consider the social and environmental aspects in an integral, fair, and responsible manner.

Environment and Development

Through AXTEL Foundation we search to support causes promoting sustainable social development by means of actions that do not harm natural resources that will be required by future generations.

We privilege donations to organizations whose projects favor respect for the environment and promote a responsible use of natural resources.



History

2005

Fundación AXTEL, A.C. is legally established. Second-tier organization financed with company resources and volunteer donations from collaborators.

2006

The Annual Co-Investment Contest in Social Projects starts providing equal opportunities to all NGOs. The External Assessing Committee is implemented to select the causes. The AXTEL Volunteer Program starts.

2007

We begin the partial operation of on-line system starts so NGOs can apply to the Annual Co-Investment Contest.

2008

Start-up of NGO Strengthening Project, with the objective of promoting synergies amongst organizations.

2009

The system for the application to the Annual Co-Investment Contest in Social Projects is institutionalized to operate 100% on-line.

2010

Maximum support for NGO's is increased from 175 thousand to 250 thousand pesos. The image of AXTEL Foundation is renewed.

2011

AXTEL-CEMEX Alliance for family orchards starts up. The Citizen Educational Alliance for Nuevo León Program starts.

Our Philosophy

The importance of generating sustainable development.

The need to address the root-cause of the social problems with an integral vision.

Joining efforts and inter-sectorial alliances as a driver.

The strength of organized civil society in generating great changes.

We seek to be part of the generation of a better Mexico and a better world, recognizing that the only way to achieve it is maintaining the balance of our environmental, economic, and social factors in each one of our actions.

We recognize that the social problems respond to multiple variables, thus we seek to impact them integrally, from a preventive and educational stand point.

In a constant atmosphere of change where resources are limited, we recognize and embrace the philosophy of working with alliances (between institutions and between sectors), as a basic ingredient for development.

Civil society plays a very important role in the generation of social equity and the changes that development demands. We recognize its value and besides supporting them in project implementation, we seek to strengthen them so their impact may be always greater.

Individuals as the axis of their own development.

Through knowledge and development of their great abilities.

The individual's engagement with his/her community.

Being co-responsible with the community and being engaged in the creation of growth opportunities and environmental improvement. Either as a volunteer in a cause or as an engaged citizen, the individual who gives, transforms his personal life receiving even more.

The value of sharing the knowledge generating experience.

We recognize and respect wisdom in every person and community, thus we value the change propositions emerging from the basis, from their knowledge and internal intuition, from their own experience. We motivate means to share the best experiences and generate with this a greater development.

Honesty and transparency as the axis of our behavior.

We establish our actions on the principles of honesty and transparency, recognizing ourselves as part of a social system where we converge with AXTEL clients, collaborators, suppliers and shareholders, as well as civil society organizations and the community in general.

Men and Women Working

In 2011 we financed 30 projects in 14 locations, through the Co-Investment Program in Social Projects. With the support of a group of AXTEL Volunteers more than 18 thousand people received the benefit.

With a consolidated team of advisors, collaborators and volunteers, in AXTEL Foundation we supported civil organizations whose social purpose provides sustainable benefits to the population.

Through AXTEL Volunteers we carried out projects such as “Entrepreneurs since young age”, from Impulsa Junior Achievement, program that operates in public elementary schools where our volunteers participate as instructors.



Annual Co-Investment Program in Social Projects

Since it's launching in 2006 we have provided benefits to more than 477 thousand people .

Projects supported annually



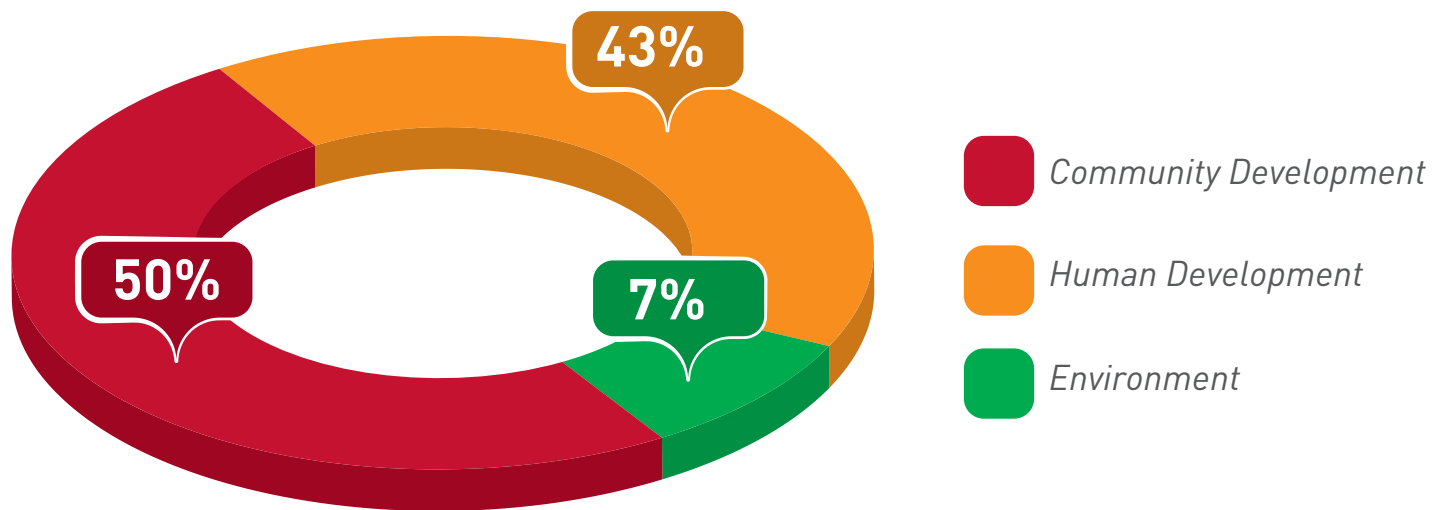
The first call for the 6° Co-Investment Contest in Social Projects AXTEL Foundation was published in 2011. Through this event we invite civil organizations that develop high value projects and programs to participate as allies in marginal areas in the cities where we have operations.

Through this program we search to support initiatives that may be replicated and, due to their impact, innovation, efficiency and effectiveness level, enable the transformation of individuals and their communities.

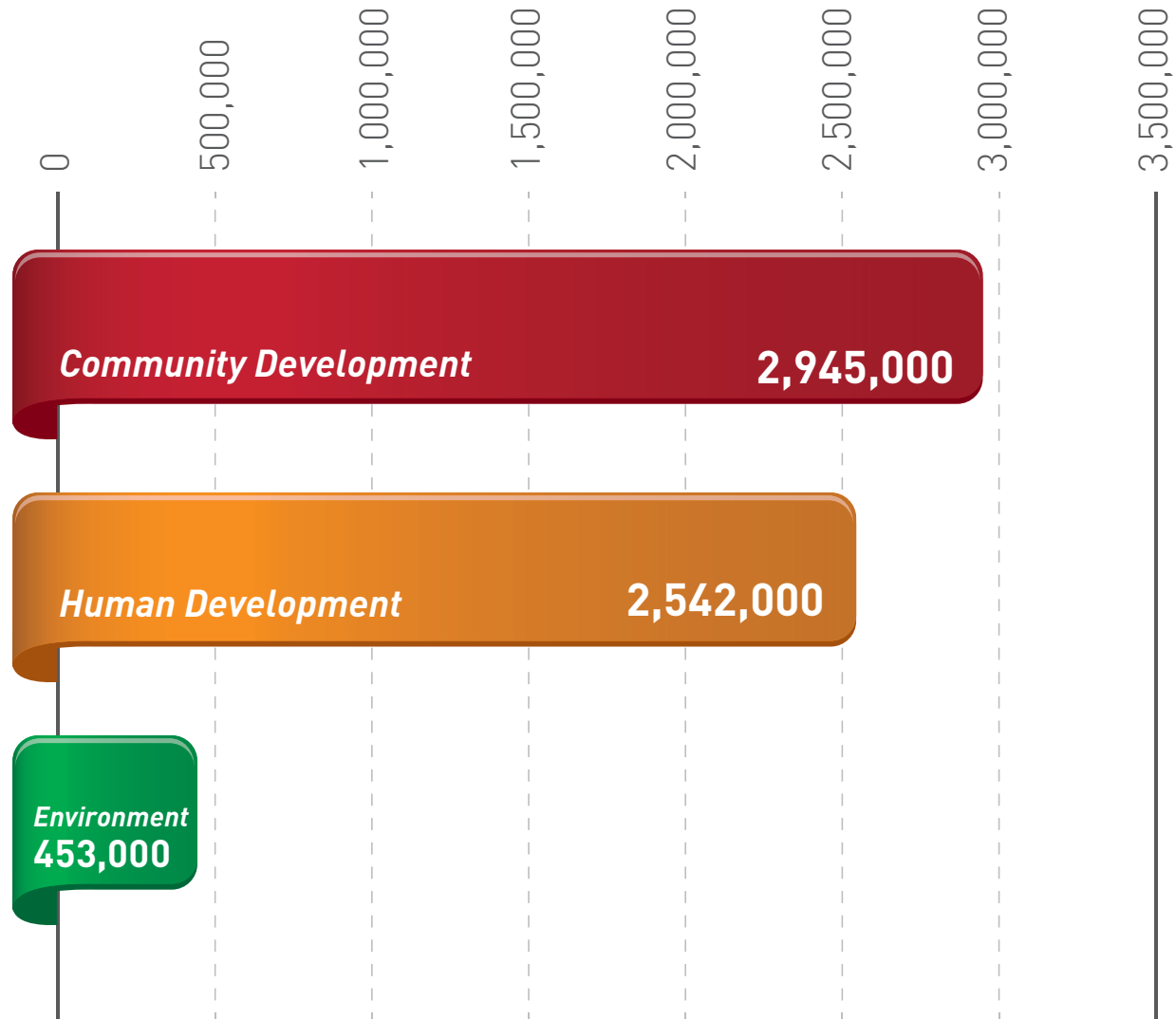


As a result of this call, in 2011 we granted economic support to 30 projects promoting the following causes:

Distribution of Economic Supports by Cause 2011



Amounts of Economic Supports by Cause, AXTEL Foundation 2011



*Amounts in mexican pesos.

NGO Strengthening

Through inter-institutional alliances we search to promote the richness of the experience to generate impact in society through synergies with institutions searching the same objectives as AXTEL. Likewise, we support NGO training programs in subjects related to fund raising, volunteer management, resources management, transparency and alliances.

Institutional Investment

Education in Mexico is a priority in AXTEL Foundation. Thus we support social projects guaranteed by recognized educational institutions in the Country.

Besides the NGO's supported by the Co-Investment Contest, in 2011 we granted economic donations to 12 organizations whose causes promote education, health, and human development.



Other Causes

Patronato Reconstruyamos Nuevo Leon (Rebuilding Nuevo Leon Patronage)

In AXTEL we actively participate in this Private Charity created to support and help recover and rebuild the housing of families victims of hurricane “Alex”, natural disaster that affected the population and infrastructure in the North of Mexico in the year 2010. Through this Patronage there have been more than 2 thousand 300 families benefited with economic support to purchase material, equipping basic services, reconstruction, and direct construction.

Alianza Educativa Ciudadana por Nuevo Leon (Citizen Educational Alliance for Nuevo Leon)

Organization headed by Tomás Milmo Santos, President and CEO at AXTEL. This Alliance seeks to improve the educational quality in the State of Nuevo León through the physical transformation and technology equipment of schools, collaborating in the integral development of the education process and generation of opportunities and self-sustainment of the communities.

Red SumaRSE

Institution with the participation of 28 enterprises and led by AXTEL Foundation. Red SumaRSE promotes strengthening of the civic capability and reconstruction of the social fabric in the metropolitan area in Monterrey.

Huertos Familiares

Together with CEMEX we participate in a program developed to train the community in the generation of urban orchards. Through it, families are trained in planting fruits and vegetables in orchards with easy installation and maintenance in the urban areas. This program has been used successful in Monterrey and the possibility of extending it to cities where both companies operate is being analyzed.



Economic Perspective

The basis of our Sustainability Model is centered in AXTEL economic performance. Taking care of our business profitability is what provides support to all our transversal activities in this matter.

Increasing the real and perceived value of our enterprise for our shareholders, customers, suppliers and stakeholders is part of our objective. Thus, in 2011 we deployed initiatives that will enable us to continue consolidating AXTEL in the Telecommunications Industry in Mexico.

In 2011 we focused our efforts on five large business lines since they have demonstrated a positive performance and have become a comparative advantage in our company in these markets:

- Infrastructure, offering mainly Data Center services
- Security
- Contact Center
- Applications
- Desktop and collaboration

At AXTEL in 2011 we reaffirmed our positioning as a company with the highest percentage of subscribers growth in Broad Band in Mexico, increasing our consolidated market share in 39% achieving 436 thousand members.



The total income in 2011 reached 10 thousand 829 million pesos, an increase of 177 million pesos compared to 2010.

Likewise, the operating cash flow or EBITDA reached 3 thousand 575 million pesos compared to 3 thousand 228 million in 2010, an increase of 347 million pesos. The 11% improvement in operating cash flow is due to the positive result in our businesses which offset the negative effect of the agreement termination with an important wholesale client, a strict discipline in spending, and regulatory benefits which translated into lower costs.

Results

(Millions of pesos)

2011

Revenues	10,829
Operatin profit	437
Net profit	-2.043

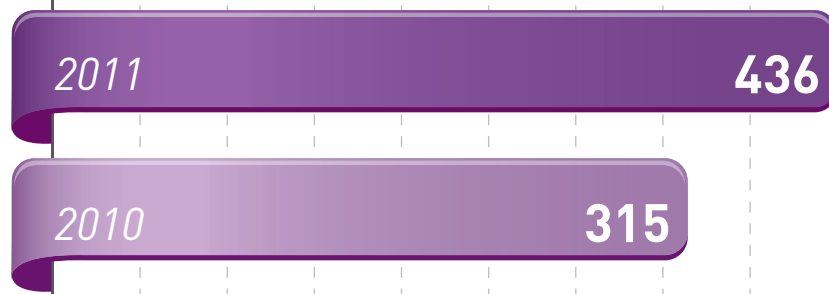
Indicators

EBITDA / Revenues	33%
Operating profit / revenues	4%
Net profit / revenues	-19%
Interest coverage	3.6
Liability / Equity	2.88

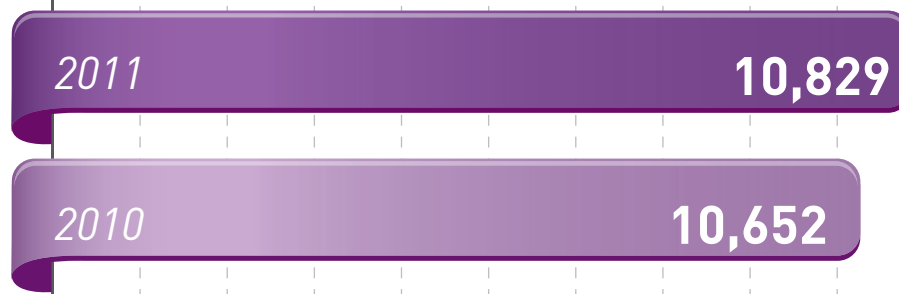
Total personnel **8,024**

It is important to point out that in 2011 there were significant improvements in regulatory matters, particularly in regards to tariff reduction in interconnection to portable users and long distance endings. These advances evidence that our effort during many years have not been useless and they are being translated into lower operating costs and a fair and equitable competition, that will undoubtedly bring important benefits for the users.

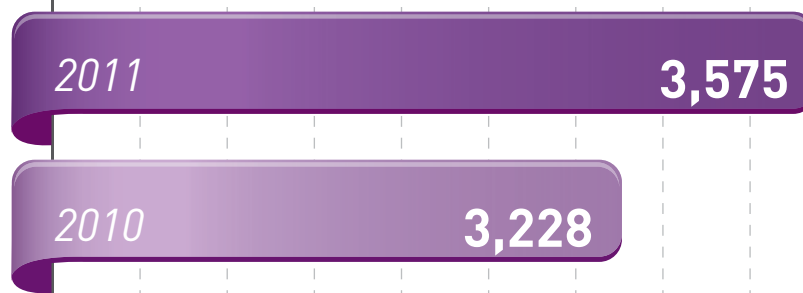
Broad band subscribers *(Thousands)*



Annual sales *(Millions of pesos)*



Annual EBITDA *(Millions of pesos)*



The direct economic value generated and distributed in 2011 in AXTEL, including earnings, exploitation costs, employee retribution, donations and other investments in the community, non-distributed benefits, and payments to capital investors and governments, are presented in the following chart:

Economic Performance AXTEL 2011*		
	<i>Concept</i>	<i>2011</i>
Economic Value Generated (EVG)	Revenues	10,829,405
	Revenues due to interests	22,340
	Other earnings	-419,450
	VEG	10,432,295
Economic Value Distributed (EVD)	Operating costs	2,799,269
	Services acquired (Outsourcing)	427,855
	Social benefits (Payroll and Derivates)	2,014,782
	Taxes paid	69,314
	Payment to fund providers	763,536
	Investments in the community (Donations)	22,068
VED	6,096,824	
Economic Value Retained	EVG + EVD	4,335,471

*Thousands of MXP
(Mexican Financial Information Standards)

Markets Served

Government Sector

We increased revenues in 10% in this market.

Mass Market

We were able to achieve a significant growth of 39% in Broad Band, vis-à-vis the prior year. Additionally we achieved 42% penetration on Internet services based on the lines in service.

Enterprise Market

We worked strategically in five businesses: Security, Infrastructure, Desk, Applications and Contact Centers, as well as vertical solutions for different markets.

The Revenue Generating Units (UGI's), that represent voice lines and Broad Band Internet subscribers that produce recurrent revenues for the enterprise, reached near 1.5 million by the end of 2011, representing an increase of 9% vis-à-vis the closing date in 2010.



Achievements 2011

As part of the constant search for an equitable competition in the Industry, during 2011 there are three events which become very important for AXTEL:

- Reduction of interconnection rates for long distance service in more than 60% in regards to the reductions previously obtained in 2009 and 2010.
- The resolution of the Supreme Court of Justice in the Nation preventing that the resolutions in issues related to interconnection may be subject to suspension.
- Opening of interconnection of long-distance calls to portable phones, which was denied by portable operators to AXTEL since 2006. The latest achievement enabled us

an important cost reduction that promoted significantly our market share.

As a result of the aforementioned, in 2011 we increased net sales in voice services to other operators, achieving near 5 billion minutes in long distance.

On the other hand, important negotiations with strategic suppliers were also carried out in 2011 in order to strengthen the user experience and offerings of new products.

Lean Six Sigma AXTEL Program

Due to the importance of maintaining our operations focused on continuous improvement in order to achieve an increase in productivity and results, there were 30 projects under this methodology implemented during 2011 covering all the areas in the organization and directly engaging 200 collaborators. Thanks to this, there were economic benefits achieved for more than \$ 1.5 million dollars.

During this year, 30 internal consultants leaders in the methodology were certified and we integrated the Center for Quality Excellence to potentiate the Lean Six Sigma program in AXTEL, highlighting the following topics: operational efficiency, information quality and productivity in service delivery.





SOCIAL

PERSPECTIVE

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Social Perspective

AXTEL is comprised by a human team of 8 thousand 32 employees distributed in 92 work centers in all the Country. This work force enables us to develop our business successfully since they perform their work with professionalism and dedication.

In 2011 the work group in AXTEL comprised 8 thousand 32 collaborators.



AXTEL Collaborators

As fundamental part in the excellence of our services, at AXTEL we are interested in developing competencies and skills in our collaborators, so we may guarantee their professional development, as well as the performance desired in their work area.

We have a Recruitment, Selection, and Personnel Hiring Policy with which we ensure having the best personnel for each activity. It specifies the selection criteria for personnel selection, which are

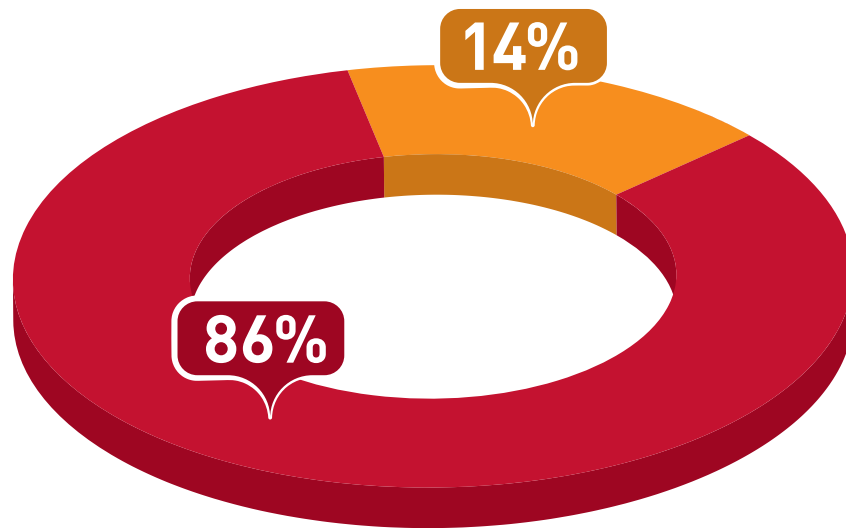
hired or promoted based on professional competencies without making distinctions due to gender, race or any discriminatory condition.


Likewise, based on our Hiring, Promotion and Transfer Policy we promote the development of our employees in equal circumstances, considering our internal personnel who meet the competencies required for the vacant position as our first option. In cases where the collaborator requires support for his/her inclusion in a


new area, we have created a development program in order to take him/her as fast as possible to the optimum performance level.

The hiring procedure for top executives applies in the same manner for the rest of the collaborators. In this management team, 206 are Mexican and six are foreign. Likewise, 86% of them are native from the areas where we have operations in the Country.

Assignment of AXTEL Executives by geographical region



 Executives native from the regions where we have operations.

 Executives native from other regions where AXTEL does not have operations.

**Top executives are all those collaborators occupying positions as Managers, Directors or Executive Directors.*

Composition of our work staff

In this section we submit the composition of AXTEL collaborators by age, gender, type of contract and annual turnover during 2011.

Percentage of AXTEL employees covered by collective agreement

19%

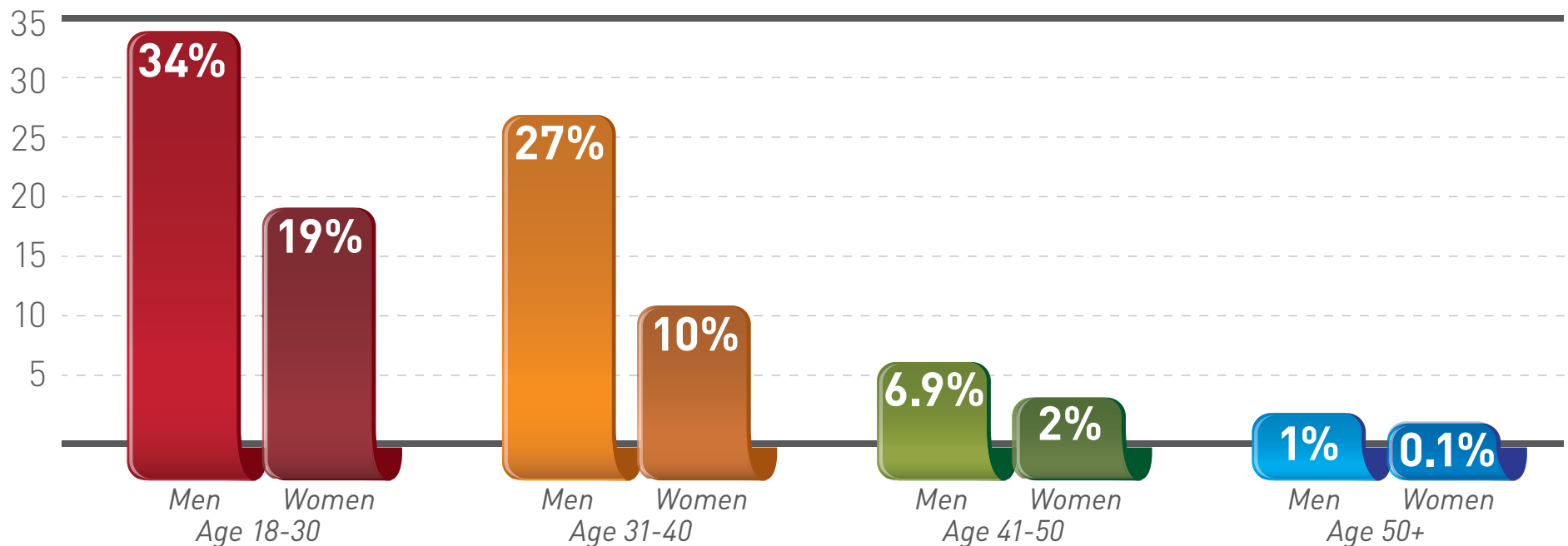
Work staff breakdown by type of employment, by contract and by region.

Region	Unionized		Non-union		Total
	Full Time	Part Time	Full Time	Part Time	
Mexico, Center, South	725	0	1307	0	2,032
North-West	844	0	4,314	842	6,000
Total	1,569	0	5,621	842	8,032

Work staff breakdown based on age, gender and region

Region / Age	18-30		31-40		41-50		50+	
	Men	Women	Men	Women	Men	Women	Men	Women
Mexico Center-South	754	150	685	188	197	19	35	4
North-West	1,989	1,392	1,493	598	385	89	49	5

Percentage of collaborators by age and gender



Employee turnover by age and gender

Age	Men	Women	TOTAL
18 - 30	1,142	692	1,834
31 - 40	566	279	845
41 - 50	118	45	163
50 +	21	1	22
Total	1,847	1,017	2,864
Annual turnover average * 35%			

** The main cause for dismissal in AXTEL during 2011 was personnel downsizing carried out at an organizational level as well as turnover in areas where hiring is per project (Call Centers).*

Net employee numbers

Employee turnover by age, gender and geographic region

Region / Age	18-30		31-40		41-50		50+	
	Men	Women	Men	Women	Men	Women	Men	Women
Mexico Center-South	229	99	201	69	53	12	12	0
North-West	913	593	365	210	65	33	9	1



Integral and Occupational Health

At AXTEL we recognize human capital as our main fortune and we understand that health and integral wellbeing are key conditions in order for our collaborators to be productive and develop efficiently.

Thus we promote a culture that fosters Integral and Occupational Health in an active manner in all the collaborators.

For the field collaborators, the program “Take 5” was implemented; it comprises 5-minute presentations focused on making them aware of matters related to safety, preventive behavior, and self-protection against work accidents. Likewise, the Safety and Hygiene Coordinator carries out regular visits to the different AXTEL facilities in order to detect unsafe conditions, decreasing risks and meeting the current regulations.

During 2011 there have been 225 presentations that have positively contributed in decreasing the incidence of accidents up to 20%. In 2011 there were 113 work accidents, the severity indicator decreased in 18.74% and the percentage of compliance in the use of personal protection equipment increased in 87% in the field.

In AXTEL we have created 18 Safety Commissions that represent 45% of our personnel. In 2012 we will integrate the necessary commissions so that 100 percent of our collaborators are represented in one of them.

Rate of work accidents and days lost in 2011

Accidents	113
Days lost due to accidents	2,563
Average personnel exposed to risk in the year	6,034
Average days lost due to accident	22.68
Average of accidents per person	0.044
Fatalities	0

As an action plan to face the insecurity problem that the country is undergoing, the Loss Prevention area delivered our collaborators 8 thousand brochures with information related to personal security and protection to prevent risk situations

such as mugging, robbery and kidnapping, and there were 30 presentations at a national level given with the attendance of 1,236 collaborators.

AXTEL Industrial Hygiene and Safety Training 2011

Courses	Number of courses taught	Participants	Man – hours industrial hygiene and safety training
Safety, Course for Technicians	80	1,558	12,464
Safety in climbing telecommunications towers	15	281	6,744
Civil Protection	2	24	96
Information from Boss to Collaborator (Civil Protection)	10	425	425
Practice Drills	2	1,984	425
Safety Alerts	2	1,608	160
	111	5,880	20,314



Collaborator Integral Agenda

In 2011 we implemented the Collaborator Integral Agenda, where the objective is developing a system of experiences that provide the employee spaces and opportunities to develop integrally in areas such as health, education, culture, family, community, and work.

As part of this project, the following actions were carried out:

Agenda	Action	Total	Participants
Education	Education workshops with curricular value at AXTEL facilities and universities	21	467
	AXTEL Education Fair	1	629
Family	Family members tours to AXTEL facilities	17	318
	National Invitation for Children Talent	1	94
Health	Health Actions	13,976	28,368*
		TOTAL	29,876

**Our collaborators' families participated.*

Within the activities performed as part of the Collaborator Integral Agenda Program, there were health brochures distributed and programs taught on education, training, counseling, prevention and control for health risks.

Topics on health brochures AXTEL 2011							
Month	June	July	August	September	October	November	December
Topic	Gastritis, colitis and constipation	Stress / Healthy breakfast	Self-protection	Visual sharpness	The healthy eating dish	Smiling keeps you healthy	Metabolic syndrome

Total activities carried out	Medical services carried out	Coverage (No. of people)
13,964	Consultations	5,480
4	National vaccination campaigns for: HPV, influenza, chickenpox and pediatric	8,032
1	Institutional nutrition program: "Nutrevolución"	285
6	Health brochures	8,032
1	Health Fair*	6,539

*Our collaborators' families participated.



Training

Developing and updating our personnel in state-of-the-art subjects for our industry enables us to maintain the favorable position we have achieved in the market having collaborators with the necessary skills and competencies to meet our clients and users' expectations.

At AXTEL we have developed two ways to provide training: being present and self-directed or e-learning, the latter is through the AXTEL University.

AXTEL Training 2011

Modality	Number of collaborators trained	Number of courses taught	Total hours trained	Average of training hours per employee*
Being Present	6,479	153	152,408	23.52
Virtual	6,766	738	65,898	9.37

**The average training hours per employee is calculated taking the number of collaborators trained as the base.*

In AXTEL we are undergoing a stage of cultural change focused on increasing efficiency in all our collaborators.

In order to achieve this change successfully, we have developed the Institutional Platform “Being AXTEL”, that integrates a group of programs that enable a homogeneous training for all our collaborators, when sharing tools that help them coordinate effectively and enlarge their perspective on the behaviors that can contribute to improve their work style and the one in their teams.

In 2011 there were eight emblem courses taught through the Being AXTEL Institutional Platform addressing the following topics:

Nombre del curso	Approved employees
Action Coordination	8,076
Environment	6,648
Institutional Process	6,624
AXTEL Induction	8,738
Effective Meetings	7,766
Institutional 5’S Program	8,019
Feedback	9,326
Customer Service	8,286
Total	63,483



AXTEL Families

In AXTEL our collaborators' families are very important and are part of our team. That is why we carry out different activities framed in the Collaborator Integral Agenda.

The key objective of this program is strengthening our employees' integral development, as well as the benefits they receive. In 2011 the following activities were carried out:

- National Invitation for Child Talent
- Family Day
- Office Tours
- Education Fair
- Health Fair



National Invitation for Child Talent 2011

Event with the purpose of engaging the collaborators' families so they learn AXTEL philosophy and values, shown through images. This contest has three categories where children from three years old through 12 years old participate. In 2011 we have the participation of 59 children in the drawing category and 35 in video.

Family Day

Annual event carried out in different recreation and entertainment sites in all the cities where AXTEL has operations, with the purpose of generating identification and sense of ownership in the collaborators and their families. There are cultural and recreation activities carried out in the event promoting the corporate values. Attended 12 thousand 555 employees and their families.



AXTEL Family Tours 2011

AXTEL opened its doors for the first time to our collaborators' children so they know their parent's work place and activities they carry out. The tours were carried out in the months of June, July, and August. 13 cities participated receiving 318 visitors in their installations.

AXTEL Education Fair 2011

This event offers the possibility for the collaborators from different cities where AXTEL operates to learn about the different opportunities for development offered by the local education institutions and national (from pre-school to post degree) who attend at the facilities to offer information regarding their studying plans, financing as well as preferential prices for their families.

In 2011 we had the participation of 630 collaborators from the different cities where AXTEL has operations, as well as 37 educational institutions.

Health Fair

Event where the different health institutions invited participate such as hospitals, clinics, opticians, gyms and dental offices. It is carried out to offer our employees options for their health care and their family. Likewise, there are presentations given by specialists in different interesting subjects.

With some of the speakers there are agreements in order for them to provide discounts or special prices.





ENVIRONMENTAL PERSPECTIVE

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Environmental Perspective

In AXTEL we are interested in integrating the environmental care in all our actions, administrative as well as operational. Thus we have developed strategies with a holistic vision with the purpose of collaborating actively in caring for our Planet.

Our efforts in the environmental field are channeled mainly through our Environmental Committee, created at a national level in 2008. This Committee is integrated by collaborators from different areas in the company who meet monthly to plan, develop, and implement improvement ideas in the environmental field. Their key objective is creating an environmental awareness amongst the AXTEL collaborators.

This Committee has the participation of a representative in each city who is accountable for implementing the

campaigns and carrying out projects related with ecology and environmental care.

With the purpose of aligning these actions to our organizational strategies, we have developed different policies and procedures that are the basis of our actions in this field:

- Environmental Policy
- Waste Management and Disposal Policy
- Energy Savings Policy



Environmental Policy

This document has guidelines for reducing and preventing environmental impact in our activities, inside and outside the company, at a local, state, and national level.

This Policy is integrated in the AXTEL environmental sustainability strategy that seeks to preserve resources and establish a harmonious relationship with Nature.

In AXTEL we are committed to.

- Preserving the Planet.
- Preventing pollution.
- Decreasing environmental impact from our activities.
- Managing hazardous and non-hazardous waste, at an internal and external level.
- Contributing in water and land preservation.
- Promoting material recycling and reutilization.

- Reducing emissions of polluting gases to the atmosphere.

Although our activities have a relatively low environmental damage due to the nature of our operations, in AXTEL we want to decrease, as much as possible, the impact that our organization in the environment.

One of the actions supporting this commitment is training to our collaborators. In 2011 we taught 6 thousand 648 collaborators the basic course on Environment through the AXTEL University, where they were prepared in the following subjects:

- Impact on the personal ecology footprint.
- Water.
- Electric energy.
- Purchasing and consumption habits.
- Alternatives for optimum use of resources at home as well as at the office.
- General recommendations.



Waste Management and Disposal

We are carrying out the process to obtain the Certification for Environmental Quality and/or Clean Enterprise granted by PROFEPA, as well as ISO 14001 in 2012.

In our Waste Management and Disposal Policy we establish guidelines for appropriate control of those accessories, instruments, equipment that, due to its content and/or conformation, may generate hazardous and/or non-hazardous solid waste in all the locations at a national level at AXTEL.

Materials are defined by type of waste, treatment given to each one of them as well as the guide to identify the waste generated in a recurring manner in our company.

Likewise, we have procedures established according to Mexican Official Standards (NOM) and the Environmental and Natural Resources Secretariat (SEMARNAT) for collection of toners and printer cartridges, batteries and obsolete computer equipment.

During 2011 we carried out the following programs in our facilities at a national level:

- Separation of waste generated by AXTEL collaborators (paper, carton, PET plastic, plastic bags, and aluminum).
- Collection of alkaline and lithium/cadmium/nickel/mercury batteries.
- Reutilization of bond paper in printers.
- Recycling of paper, PET, aluminum and plastic.
- Shipping of batteries for special confinement.
- Accountable disposal of computer and obsolete electronic equipment.
- Shipment of empty toner and ink cartridges for recycling.

Recycling Campaign at a National level

Non-Renewable Materials Recycled *

Materials	2010	2011
Aluminum	1.62	0.20
Toner cartridges	0.54	0.92
Paper	29.57	20.36
PET plastic	1.08	1.34

Thanks to our recycling campaign, in 2011 we prevented the emission of 76 tons of CO2 to the atmosphere.

- Amounts expressed in tons.

- The material recycled does not represent 100% of the consumption at AXTEL in each line.

Waste management in AXTEL is monitored by the Environmental Committee that evaluates the correct channeling of waste from our 92 facilities in Mexico.

In 2011 we generated a total average of 388 kilograms of waste per employee.

Domestic Solid Waste in AXTEL 2011*

3,109 tons

*Information obtained according to internal calculations from AXTEL

Energy

Capturing our engagement for environmental caring, we implemented the Energy Savings Policy through which all AXTEL collaborators are urged to make an efficient use of electric energy and contribute in decreasing the emission of greenhouse gases into the atmosphere. This document makes concrete recommendations regarding the expected behavior of all our employees within the facilities in our company.

We are submitting the electric energy consumption at AXTEL divided into primary sources. This with the purpose and commitment of monitoring our energy consumption and taking actions toward energy savings and caring of our Planet.

Direct Energy Consumption

Source	2011
Gasoline	5,643,673
Diesel	254,504
L.P. gas	135,768

Amounts expressed in liters

Indirect Energy Consumption

Source	2011
Electric energy	70,351,873

Amounts expressed in Kwh

Air Emissions

The daily functioning of the 92 facilities that comprise the AXTEL installations cause the generation of diverse consumptions resulting in greenhouse gas emissions sent into the atmosphere.

The sources considered in the following table are:

- Electric energy, fundamental in the operation of our business.
- Use of fuels, to provide installation and maintenance service to our networks and users.
- Domestic waste.

Tons of CO2 Sent to Atmosphere in 2011	
Source	2011
Electric energy	35,176
Fuels	13,199
Domestic waste	191
Total	48,566
Recovered via recycling processes	77
Net total	48,489





MEMORY PARAMETERS

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Memory Parameters

The first AXTEL Sustainability Report has the purpose of informing and revealing the economic, social, and environmental information of the company.

In this document, the reader will find data corresponding to year 2011, referring to immediate prior years in the cases specified, with the objective of clarifying and/or responding to certain indicators. During this period the company has suffered significant changes in size, structure or property.

The report structure has been defined taking Guide G3 of the Global Reporting Initiative (GRI) in Level C as a reference. There are indicators incorporated which are considered as materials for AXTEL that were determined based on the assessment of the Strategic Plan of the company.

The information comprised in this report shows the performance of AXTEL corporate offices in Monterrey, as well as the centers where the company has operations in the Country.

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GRI Application Level		C	C+	B	B+	A	A+
Mandatory	Self-declared		Reviewed by third parties		Reviewed by third parties		
Optional	Reviewed by Third Parties		Reviewed by third parties		Reviewed by third parties		Reviewed by third parties
	Reviewed by GRI						

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