

Axtel, S.A. de C.V. And Subsidiaries

Unaudited Consolidated Balance Sheets

September 30, 2004 and 2003

(Thousand of constant pesos with purchasing power as of September 30, 2004)

ASSETS	Sep-04	Sep-03
Current assets:		
Cash and equivalents	652,046	305,306
Accounts receivable	505,224	392,423
Refundable taxes and other accounts receivable	33,609	27,623
Prepaid Expenses	369,235	241,354
Inventories	49,277	20,952
Financial Instruments	11,320	1,400
Total current assets	1,620,711	989,058
Non current assets		
Property, plant and equipment, net	5,567,305	5,414,854
Long-term accounts receivable	19,849	21,042
Telephone concession rights	701,853	751,842
Pre-operating results, net	199,800	215,949
Deferred income tax	217,367	246,871
Other assets	131,628	44,763
Total non current assets	6,837,802	6,695,321
TOTAL ASSETS	8,458,513	7,684,379
LIABILITIES		
Current liabilities		
Account payable & Accrued expenses	392,243	360,274
Accrued Interest	70,106	6,206
Short Term Debt	84,100	67,927
Current portion of long-term debt	41,960	66,657
Taxes payable	22,736	54,289
Other accounts payable	227,556	221,246
Total current liabilities	838,701	776,599
Long-term debt		
Long-term debt	2,050,544	1,282,849
Seniority premiums	1,777	1,339
Other long-term accounts payable	3,248	1,216
Total long-term debt	2,055,569	1,285,404
TOTAL LIABILITIES	2,894,270	2,062,003
STOCKHOLDERS EQUITY		
Capital stock	6,963,340	6,958,520
Additional paid-in capital	137,780	143,494
Accumulated losses	(1,660,671)	(1,595,755)
Cumulative deferred income tax effect	116,117	116,117
Change in the fair value of derivative instruments	7,677	-
TOTAL STOCKHOLDERS EQUITY	5,564,243	5,622,376
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	8,458,513	7,684,379

Axtel, S.A. de C.V. And Subsidiaries

Unaudited Consolidated Income Statement

For the three-month and the twelve month period ended September 30, 2004 and September 30, 2003

(In thousands of constant pesos with purchasing power as of September 30, 2004)

	3Q 2004		3Q 2003		% of Change	LTM Sep-04		LTM Sep-03		% of Change
Total Revenues	Ps. \$	976,105	Ps. \$	771,717	26.5%	Ps. \$	3,588,618	Ps. \$	2,863,813	25.3%
Operating cost and expenses										
Cost of sales and services		(310,459)		(207,724)	-49.5%		(1,087,515)		(794,709)	-36.8%
Selling and administrative expenses		(347,256)		(296,958)	-16.9%		(1,274,595)		(1,157,354)	-10.1%
Depreciation and amortization		(250,293)		(223,128)	-12.2%		(959,381)		(841,068)	-14.1%
Total Operating Costs and Expenses		(908,008)		(727,810)	-24.8%		(3,321,491)		(2,793,131)	-18.9%
Operating income (loss)		68,097		43,907	55.1%		267,127		70,682	277.9%
Comprehensive financing result:										
Net Interest Income (Expense)		(67,412)		(39,759)	-69.6%		(234,784)		(274,855)	14.6%
Foreign exchange gain (loss), net		691		(62,776)	N/A		(74,774)		(394,733)	81.1%
Monetary position gain		17,692		6,402	176.4%		53,609		181,121	-70.4%
Comprehensive financing result, net		(49,029)		(96,133)	49.0%		(255,949)		(488,467)	47.6%
Other income (expenses), net		513		(6,824)	N/A		(39,431)		1,796,927	N/A
Special item		-		-	N/A		-		(15,142)	N/A
Income (loss) before income taxes and employees' profit sharing		19,581		(59,050)	N/A		(28,253)		1,364,000	N/A
Asset Tax		-		-	N/A		-		-	N/A
Deferred income tax		(29,038)		(20,652)	-40.6%		(35,265)		(497,365)	92.9%
Deferred employees' profit sharing		-		-	N/A		-		-	N/A
Total income tax and employees' profit sharing		(29,038)		(20,652)	-40.6%		(35,265)		(497,365)	92.9%
Net Income (Loss)	Ps. \$	(9,457)	Ps. \$	(79,702)	88.1%		(63,518)		866,635	N/A

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