

A smiling man with glasses and a headset is working at a desk in a home office. The background shows a bookshelf and a lamp. The image has a blue overlay with decorative elements like stars and wavy lines.

axtel

Transforming Digitalization

INTEGRATED ANNUAL REPORT 2023

About this report

GRI 2-3, 2-4, 2-5, 2-14

Axtel's 2023 Integrated Annual Report provides a comprehensive overview of operational results in the areas of labor, social, environmental, financial and governance. This document reflects the performance of Axtel's operations in Mexico, excluding the activities of other companies or associates.

Axtel has prepared the report in accordance with the GRI Standards for the period from January 1st to December 31, 2023. Also, the financial results for the year ended December 31, 2023, are included.

Likewise, this document includes the requirements of the Sustainability Accounting Standards Board (SASB) that are relevant to our industry: telecommunications services, software and information technology; and incorporates some of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding the risks and opportunities related to climate change.

The responsibility for reviewing and approving the Integrated Annual Report relies on our Executive Directors, who also provide insight on the relevant topics and key events of the year.

Axtel is committed to reporting traceable information to its stakeholders so, to ensure its accuracy and reliability, the 2023 Integrated Annual Report was verified by e3 Consultora Ambiental, an independent external auditor endorsed by the highest governing body of the organization and administration.

This exercise was a limited verification of a selection of the report's contents, thus reinforcing our commitment to integrity and corporate responsibility. This step reflects Axtel's dedication to ensuring the transparency of our information, underscoring our adherence to corporate governance best practices.



Contact

GRI 2-3

If you have any comments or questions about this report, you can refer to:

Héctor Canales
Sustainability
hector.canales@axtel.com.mx

Nancy Llovera
Investor Relations
ir@axtel.com.mx

Samanta Lemus
Legal and Regulatory
slemusn@axtel.com.mx

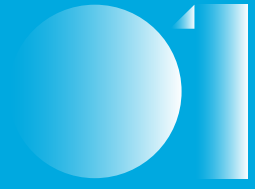
Marcelo Díaz
Supply Chain
mdiaz@axtel.com.mx

Corporate Offices
Av. Múnich No. 175 Col. Cuauhtémoc,
San Nicolás de los Garza, Nuevo León, C.P. 66450

www.axtelcorp.mx/esg/



Content



SUSTAINABLE STRATEGY



OPERATIONAL PERFORMANCE



AXTEL EXCELLENCE

04	Letter to our stakeholders	13	Sustainable strategy	49	Business structure	89	Ethical operation	147	Management comments and analysis (Axtel, S.A.B. de C.V. and subsidiaries)
07	Operational indicators	15	ESG in Axtel	78	Financial perspective	97	Achievements in innovation	151	Financial statements (Axtel, S.A.B. de C.V. and subsidiaries)
09	ESG highlights	19	Materiality	82	Network reliability	104	Work environment	212	GRI content index
11	Awards and recognitions	31	Industry and risk analysis	84	Customer experience	125	Nature and climate	218	SASB Index
12	Initiatives in which Axtel participates	41	Communication with stakeholders			137	Sustainable partners	220	TCFD Index
						142	Social inclusion	221	Verification letter



Letter to our stakeholders



GRI 2-22

To our esteemed Stakeholders,

With the dynamism that characterizes the digital age, we are pleased to inform you of the transformations and strategic achievements achieved in the last year; This reflects not only our adaptability to rapid technological change but also our commitment to sustainable development and corporate responsibility.

In 2023, we marked a watershed in our history by completing the spin-off of ALFA, S.A.B. de C.V. entire shareholding in Axtel with the start of trading of Controladora Axtel on the Mexican Stock Exchange, providing greater autonomy in strategic decisions and the use of capital.

For the year, total revenues increased 5% compared to 2022, to Ps. 10,956 million,

driven by powerful performance in the enterprise and government segments. We also achieved a 14% increase in Comparable Flow¹, which allowed us to reduce the net leverage ratio to 2.9 times from 3.6 times at the end of 2022.

The refinancing of all of our debt, which extended the term profile of the current debt to 4.5 years, was another target we accomplished during the year. This was made possible by bank loans, of which two are dependent on how well we perform in terms of sustainability, placing a high value on social and environmental metrics.

For Axtel's business segment, 2023 has been a time of evolution. We implemented a new business model in this period, focusing on specialization to gain greater customer satisfaction and proximity. This model

is now consolidated into four business lines: Telecommunications, Cybersecurity, Information Technology (IT) and Mobility. Based on this new model, we integrated an organization aligned horizontally with the lines of business and vertically with target industries, which will allow us to accelerate the growth trend and maximize operational efficiency.

We also created customized products and specific use cases for each line of business, to meet our clients' crucial demands for digital transformation.

In the Cybersecurity line of business, we evolved into a next-generation Cyber Defense Operations Center with the mission of providing advanced solutions to the ever-changing ecosystem of threats and risks, emphasizing initiative-taking detection, response, intelligence, and service automation.



¹ Flow = Operating income + depreciation and amortization + impairment of fixed assets. Comparable Cash Flow excludes extraordinary losses (gains), such as expenses related to organizational efficiencies.

LETTER TO OUR
STAKEHOLDERSOPERATIONAL
INDICATORS

ESG HIGHLIGHTS

AWARDS AND
RECOGNITIONSINITIATIVES IN
WHICH AXTEL
PARTICIPATES

In the Telecommunications line, on the other hand, we broadened the range of services offered in order to capitalize the trend nearshoring and to create new capabilities for specific segments like contact centers, where artificial intelligence plays a critical role in increasing to business productivity.

For the Information Technology line, we released a new Data Analytics service, helping our clients predict behaviors and make business decisions in a timely manner.

In addition, Alestra Móvil was transformed into an autonomous operation model, allowing for increased customer satisfaction and the acquisition of new opportunities through increased commercial focus and agility.

Regarding the government sector, we succeeded in approaching new federal agencies and states over the year, in addition to renewing all of the contracts.

We covered approximately 90% of the core business locations in the wholesale

market, which includes industrial parks and urban areas. Demand for flexible and high-capacity connectivity services from data centers, global operators, and internet service providers is on the rise.

Regarding to our environmental, social and governance (ESG) strategy, we are committed to contributing to the fulfillment of the United Nations Sustainable Development Goals (SDGs). Based on this, we will continue with our efforts directly tied to material concerns of major interest to the organization:

- **Environment.** We have made efforts to minimize our environmental impact and reduce our carbon footprint. We commit to reducing our Scope 1 and 2 emissions by 41.5% by 2027. We implemented initiatives to reduce our environmental impact, like fleets of hybrid and electric cars, equipment reuse, grid optimization, and more effective cooling systems. Furthermore, 54% of the energy we use comes from renewable or clean sources.

- **Social.** We keep making investments in our community and our employees, making sure that equal opportunities and respect for human rights are maintained across our business operations. At Axtel, we promote an equal work environment with gender equality. Also, by 2027, we have the goal of increasing the proportion of women in our workforce to 31%, based on the availability of specialized talent in our industry.

Gender diversity's talents and skills lead to improved value management by bringing together multiple points of view.

In addition, we contribute to the country's development by participating in infrastructure initiatives that help the communities we serve.

- **Governance.** Furthermore, we believe it is critical to train and strengthen our personnel in sustainability and cybersecurity concerns, thus we are increasing the number of hours dedicated to these topics.



**LETTER TO OUR
STAKEHOLDERS**OPERATIONAL
INDICATORS

ESG HIGHLIGHTS

AWARDS AND
RECOGNITIONSINITIATIVES IN
WHICH AXTEL
PARTICIPATES

Looking ahead, we are optimistic about the opportunities 2024 will provide. We expect that an efficient and agile organization will contribute to our ability to optimize time and costs in our processes, resulting into a significant generation of flow. As we move forward, we will continue to maintain a strong focus on responsible innovation and developing solutions that not only meet our customers' immediate needs, but also contribute to the digital transformation and

development of the country's economy and communities.

We genuinely appreciate your continuing support and cooperation as we work together to create a more sustainable and connected future.

Sincerely,

**ARMANDO DE LA
PEÑA GONZÁLEZ**CHIEF EXECUTIVE OFFICER
OF AXTEL, S.A.B. DE C.V.

Operational indicators



\$10,956
million in revenues,
increasing 5% from 2022



11 thousand
customers attended



6%
reduction in energy
consumption



5% and 22%
growth in the Business and
Government segments vs
2022



1st MVNO²
focused exclusively on
the **Business segment in
Mexico**



B level Management in CDP's evaluation,
placing us above the North American
average and in accordance with worldwide
telecommunications industry average



3,430
million* flow¹



**Consolidation of services into
four strategic lines:**

1. Cybersecurity
2. Mobility
3. Telecommunications
4. Information Technology (TI)



82
en percentile in the S&P
CSA assessment



50,800 km
of fiber optic network

¹ Flow: income from operations plus depreciation and amortization, plus impairment of fixed assets.

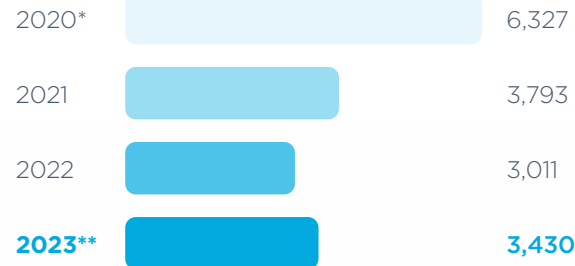
² Mobile Virtual Operator (MVNO).

* Excludes Ps. 388 million of expenses related to organizational efficiencies.

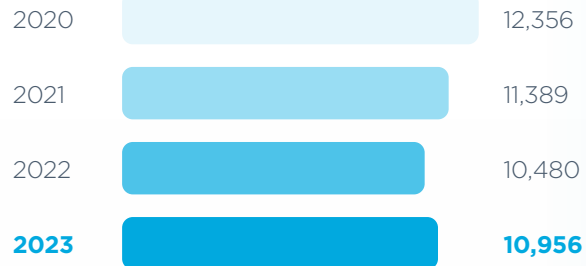
Note: in this Integrated Annual Report amounts are presented in Mexican pesos (Ps.) and nominal dollars (US), except where otherwise noted.

GRI 201-1

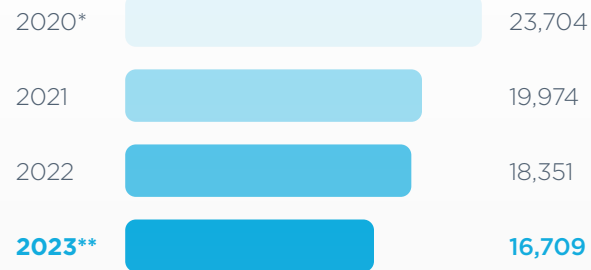
FLOW PER YEAR
(MILLION PESOS)



SALES PER YEAR
(MILLION PESOS)



TOTAL ASSETS
(MILLION PESOS)



* Includes Ps. 2,021 million in benefit from data center divestment.
 ** Excludes Ps. 388 million of expenses related to organizational efficiencies.



ESG highlights



54%
of the energy we consumed came from clean or renewable sources



B grade in CDP and 82 percentile in CSA



6.4%
reduction in fleet fuel usage



2,747 kg
paper and cardboard sent for recycling



104
vehicles in our fleet were replaced, 6 of which were electric



6%
decrease in energy consumption



+10 hours
of Sustainability and Cybersecurity training on average per employee



3
telephone exchanges shut off



Hurricane Otis, Acapulco
Technical staff deployed to restore city communications and services

Support to the families of the workers who live in that area with campaigns of in-kind donations by the employees





2 **technical schools** in the Sánchez Magallanes, Tabasco community benefited with technology and **internet equipment that we provided in collaboration with Wintershall Dea**



Ps. 427 **million** in services provided at **nationally to the health and education sector, contributing to the technological and social development agenda**



+100 thousand **man-hours were spent** in reorganizing obsolete wire and switching from overhead to subterranean wiring to support public projects



Contributed to federal infrastructure in: Modernization projects
Fiber optic upgrades for new roads, distributors, and bridges



4,764 **man-hours of training** with the #CapInHouse program



340 **cross-team** collaboration sessions in our Innovation HUB



Assignment of ESG functions to the Compliance Officer to support the sustainability strategy



Implementation of indicators for measuring emissions, gender equality, and training on sustainability and cybersecurity



Implementation of our ESG Supply Program considering, starting with our critical suppliers



16th **straight year** of ESR Distinction



Ranked 7th **place** in Empresas+Éticas



Awards and recognitions

HUAWEI
ENTERPRISE PARTNER VAP



POLY
PLATINUM PARTNER



FORTINET GROWTH PARTNER
OF THE YEAR FOR LATAM



CISCO
GOLD PROVIDER



NUTANIX
CHAMPION RESELLER



VERITAS
GOLD PARTNER



Initiatives in which Axtel participates

GRI 2-28

CDP (CARBON DISCLOSURE PROJECT)



CSA (CORPORATE SUSTAINABILITY ASSESSMENT)



ESR DISTINCTION (SOCIALY RESPONSIBLE COMPANY)



EMPRESAS+ÉTICAS DISTINCTION



UNITED NATIONS GLOBAL COMPACT



CEEDA SILVER AND BRONZE LEVEL



CMMI FOR SERVICES IT SERVICES DELIVERY



AXTEL-CSIRT (CYBER SECURITY INCIDENT RESPONSE TEAM)



ICREA LEVELS 3, 4 AND 5



ISO



ISO 20000-1:2018 - ISO 22301:2019
ISO 27001:2022 - ISO 31000:2018
ISO 37001:2016 - ISO 9001:2015

ITIL EXPERT, ITIL V3



MGCIC



01 Sustainable strategy

IN THE GLOBAL TELECOMMUNICATIONS SECTOR, WE PERFORMED IN THE **82ND PERCENTILE OF THE S&P CSA** EVALUATION.

WE SCORED **B IN CDP**, WHICH PLACED US IN THE MANAGEMENT LEVEL.

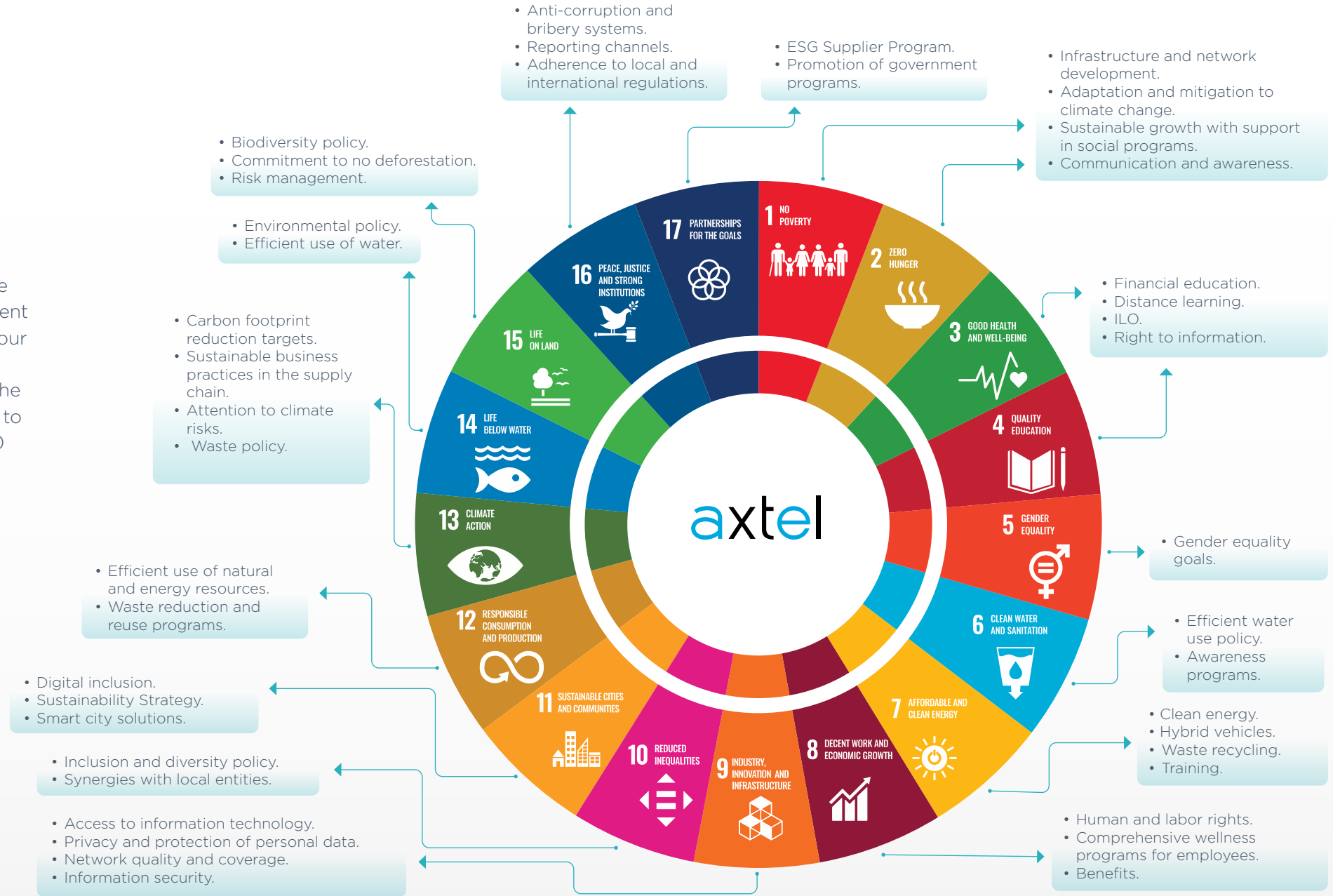


Our contribution to the SDGs

GRI 2-23



Our contribution to the Sustainable Development Goals (SDGs) reflects our commitment to clarity and accountability in the initiatives we promote to contribute to the 2030 Agenda.



ESG in Axtel

GRI 2-23, 2-28
TCFD Governance b)

Principles

We developed our Sustainability Policy and got approval from the Board and Management in 2022, in which we established the guidelines that that are meant to contribute to the company's expansion, employees' growth as professionals and individuals, and our country's communities' social development.

In an effort to promote Axtel's sustainable growth, we have integrated a number of methodologies that allow us to implement sustainability-related initiatives. As a result, we are able to reinforce our procedures and keep our sights on policy compliance.

FOR THE PAST TWELVE YEARS, WE HAVE BEEN SIGNATORIES TO THE UNITED NATIONS GLOBAL COMPACT.

Structure

In 2023, the ESG Direction was created with the objective to guaranteeing compliance to the Sustainability Policy, as well as compliance with the ESG strategy and programs across the company. Since its creation, we have established detailed plans, objectives and specific actions to encourage the incorporation of sustainable practices into the overall business strategy.

The ESG Direction becomes a part of the governance structure that was previously established in May 2022. It is integrated by the ESG Executive Committee, composed of the Executive Directors and the CEO as chairman of the committee, as well as the Operating Committee, which oversees, evaluates and supports, initiatives that integrate the Sustainability Policy into all areas of Axtel.

Additionally, **for each initiative related to ESG issues, a functional or operational leader is appointed** who will oversee its implementation along with the ESG Direction.



ESG Executive Committee

First resolutions of the committee:



Set targets for reduction
greenhouse gas emissions.



Set **goals** for **gender equality**
among employees of the
organization.



Training hours and topics on
cybersecurity, ESG and ethics.



Approval of **key** initiatives to be
implemented in the **years to come.**



Measurement outcomes **through**
the S&P CSA and CDP prescribers'
evaluations.



Creation of the **ESG Direction.**

Members of the ESG Executive Committee

ARMANDO DE LA PEÑA
CHIEF EXECUTIVE OFFICER

ADRIÁN DE LOS SANTOS
CHIEF FINANCIAL OFFICER

ANDRÉS CORDOVEZ
EXECUTIVE DIRECTOR OF INFRASTRUCTURE AND SYSTEMS

ALICIA SAUCEDO
EXECUTIVE DIRECTOR OF COMMERCIAL DEVELOPMENT

BERNARDO GARCÍA
EXECUTIVE DIRECTOR OF ENTERPRISE BUSINESS

CARLOS BUCHANAN
EXECUTIVE DIRECTOR OF HUMAN CAPITAL

RAÚL ORTEGA
EXECUTIVE DIRECTOR OF LEGAL AND REGULATORY

SERGIO BRAVO
EXECUTIVE DIRECTOR FOR GOVERNMENT SECTOR

ESG Operating Committee

The ESG Operating Committee was formally created in 2022, its main objective is the determination and execution of the initiatives related to the fulfillment of the goals established by the Executive Committee. It is conformed by the various departments with the greatest influence on ESG initiatives.

Executive Direction of Legal Regulatory

Executive Direction of Human Capital

Executive Direction of Finance

Direction of Compliance & ESG

Direction of Operations

Investor Relations

Direction of Services and Real Estate

Direction of Treasury and Supply Chain

Training & Culture

Information Security Management

IT Operations Direction

DPO Legal Management

Health & Safety Responsible

Each member of the committee is responsible for carrying out actions, managing and applying resources, and implementing plans for the achievement of results. ✨

Sustainable integration

Senior managers and executives who have direct responsibility for implementing initiatives and achieving ESG goals have their performance assessed against various metrics related to these concerns. This performance directly influences their variable compensation, which is tied to the accomplishment of specific ESG goals or activities that are considered primary objectives for the business.

On an annual basis, as part of the institutional training program, **we provide training to executives and employees on a wide range of ESG topics.** We also train them on Cybersecurity and how to combat cyberattacks, which represents one of the biggest risks the company faces. ✨



Sustainability Strategy

It is composed of five key pillars that comprise significant contributions from all of the organization’s departments and are reflected in the most noticeable sustainability-related initiatives, programs, and effects.

With our Sustainability Strategy, we seek to contribute to a more sustainable future by implementing comprehensive corporate governance processes, fair labor practices and the responsible use of the environmental resources required for our operation. In addition, we successfully manage the risks and opportunities we face as an organization.

This strategy fosters long-term sustainability by integrating ethical and transparent management practices, ensuring equitable working conditions, and promoting the sustainable use of resources essential to our operations. We are also committed to identifying and effectively managing the risks and opportunities inherent in our business.

To facilitate the transition towards more environmentally conscious operations, we have developed the **Axtel Sustainability Plan**. This plan is reviewed annually by the Board of Directors and the Sustainability Committee, in addition to being presented to the Executive Committee, thus ensuring that the highest levels of management are aware of the sustainability policies in place. Progress and achievements in the implementation of this plan are evaluated and reported on a quarterly basis.

Pillars of Sustainability



Materiality

GRI 3-1

In 2022¹ we conducted our double materiality analysis following the methodology² recommended by Global Reporting Initiative (GRI) and taking into account the topics relevant to our industry in accordance with Sustainability Accounting Standards Board (SASB), the requirements of S&P CSA, CDP, MSCI and the SDGs.

We carried out an analysis based on external sources, trends, standards and frameworks, an analysis of Axtel's sustainability management, a review of the level of relevance and performance of peer companies, as well as the assessment of risks regarding material issues based on the impact they could have on our organization and the probability of occurrence.

This exercise helps us to understand **how it is perceived by stakeholders**, considering the relevant impacts that are identified in the process.

We prioritized the evaluation of material impacts, including issues important to the company's operation in which there is a significant social and/or environmental impact.



- 1 Our materiality analysis is updated every two years depending on internal changes in our organization and variations in the external environment.
- 2 Given that this exercise was conducted in 2022, we do not yet include the recommendations of the International Financial Reporting Standards (IFRS) regarding financial materiality.

The materiality analysis was performed as follows:

STEP 1 Analysis of the internal context

Review of Axtel's corporate documentation and public information, in addition to 841 surveys that were applied to employees, directors, investors and other stakeholders in order to know their perspective on the relevance of the ESG issues analyzed, as well as to evaluate their perceived maturity in the management and communication of the efforts we make on these issues.

STEP 2 Analysis of the external context

A review of the sectors ESG trends based on four selected prescribers and a comparative evaluation was carried out with five relevant peers in the telecommunications sector through a benchmark.

STEP 3 Risk assessment

The analysis included the evaluation of 11 risks associated to material topics according to their impact and probability, with three being the most significant:

1. Cybersecurity threats
2. Technology obsolescence
3. Employee turnover



Assessment of risks associated to material topics

AXTEL'S MATERIALITY IS REVIEWED AND APPROVED BY THE ESG EXECUTIVE COMMITTEE.

Through the materiality exercise, the ESG Executive Board reviews, approves and confirms the importance of each of the themes that emerged from the analysis.

	E	S	G
Inefficient use of resources			
Physical effects of climate change			
Cybersecurity threats			
Misuse of personal data			
Technology obsolescence			
Employee turnover			
Innovation and adaptability			
Increase in electronic waste			
Non-compliance with standards			
Non-compliance with standards			
Corruption cases			



Material topics and strategies

GRI 3-2

As a result of this exercise, we identified **eight topics of high importance**, which we detail in terms of objectives, management and results throughout this report and summarized in the following table.

Related SDGs	Material topic in order of importance	Type of potential impact	Actions to mitigate impacts	Strategic objectives	Target year	Progress to 2023
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Cybersecurity	<p>Current and positive with proper cybersecurity management, which gives us a better reputation in the market, allowing us to reach more customers.</p> <p>Potential and negative for our customers in the event of breaches, as well as for the company, as we will be affected in our reputation for providing quality services.</p>	<ul style="list-style-type: none"> • We have an Information Security Management System. • We made our public information security stance available to any stakeholder. • We follow the best practices defined in international standards. 	<p>Implementation of an institutional training program that is given to all employees of the organization.</p> <p>We seek to increase the number of training hours by 100% compared to 2022.</p>	2027	We increased training time by 75% vs 2022.
<p>7 AFFORDABLE AND CLEAN ENERGY</p>	Energy and emissions	<p>Current and positive to the environment and our operation by implementing energy efficiency and reduction initiatives and reduction of GHG emissions, which increases the profitability margin of the business.</p> <p>Greenhouse gas emissions negatively impact the environment and influence global warming, which will affect our operations and those of our suppliers.</p>	<ul style="list-style-type: none"> • We incorporated more renewable energy into our energy-intensive operations. • We improved our energy efficiency. • We turned off disused telephone exchanges. 	Reduction of scope 1 and 2 emissions by at least 41.5% by the end of 2027 from 2020 levels.	2027	We reduced emissions by 37.35% vs our 2020 baseline year.



Related SDGs	Material topic in order of importance	Type of potential impact	Actions to mitigate impacts	Strategic objectives	Target year	Progress to 2023
<p>4 QUALITY EDUCATION</p>	Training and capacity building	<p>Current and positive, having properly trained personnel allows you to increase agility and levels of service to customers, which increases the evaluation and reputation of the business.</p> <p>Potential and negative, a bad reputation, loss of customers impacts revenue by not having staff with the proper skills.</p>	<ul style="list-style-type: none"> • We created the annual Institutional Training Plan that incorporates current issues that allow the development and better collaboration of the various operational and staff areas. • Certifications plan for specialist personnel. • Training plan on cybersecurity and ESG issues for risk reduction. 	To increase annual training hours per employee on cybersecurity and sustainability to at least 12.5 hours per employee by the end of fiscal year 2027 from 2022 levels.	2027	We achieved an average of 10.05 hours of training, an additional 40% to the 2023 goal.
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Customer privacy	<p>Current and positive, with proper customer privacy management.</p> <p>Axtel has implemented measures to safeguard the privacy of information, allowing our customers to have more confidence and improves the positive image of the company, thus increasing service revenue.</p> <p>Potential, accidental breaches could lead to legal liabilities and severely damage the company's image.</p>	<ul style="list-style-type: none"> • We make our privacy notice available to any stakeholder. • Our privacy and security process is based on a strong culture of protection, security and confidentiality of the information of all our stakeholders. • In addition, we ensure that we use information ethically and responsibly. 	Incorporation of an information privacy program that includes: <ol style="list-style-type: none"> 1. Maintain the Information Privacy Policy. 2. Determination of Data Privacy Officer. 3. Maintain the latest ISO 27701 standard on personal information privacy. 4. Data privacy program. <ul style="list-style-type: none"> • Adherence to privacy principles. • Solid operation. • Ensure governance oversight. • Responsible use of customer data. • Monitoring of privacy incidents. 	2025	<ol style="list-style-type: none"> 1. Creation of the Information Privacy Policy. 2. Determination of the first Data Privacy Officer.



Related SDGs	Material topic in order of importance	Type of potential impact	Actions to mitigate impacts	Strategic objectives	Target year	Progress to 2023
	Risk management	<p>Current, potential and positive, Axtel will benefit by decreasing financial, operational, environmental and social impacts by timely identifying risks and taking relevant actions to reduce or eliminate impacts.</p> <p>Current, potential and negative to the environment and society in the event of not being able to address the risks in a timely manner.</p>	<ul style="list-style-type: none"> • Since 2017, Axtel has implemented a risk management program. The area responsible for executing it is Internal Control under the Executive Direction of Legal Regulatory. Key risks are identified, and a detailed assessment of the main risks is provided to the Executive Committee, Board and Management. 	Maintain and strengthen the Risk Management program.	N/A	Permanent.
	Network quality and reliability	<p>Up-to-date and positive with network management, adequate network quality increases customer satisfaction.</p> <p>Negative for our customers in case of failures, which can lead to loss of customers.</p>	<ul style="list-style-type: none"> • We have a climate events committee. • We perform network-wide preventive maintenance routines for events • We have redundancy mechanisms in place for critical elements of the network. • We maintain a capacity management that allows a level of service appropriate to the established business rules. • We implement metrics for all network variables, as well as mechanisms and processes for responding to all incidents according to their severity. • We have operation support systems that allow us to supervise and monitor the network in real time. 	Maintain 99.9% network availability.	Annual	We achieved a network Back Bone availability of 99.99%.

Related SDGs	Material topic in order of importance	Type of potential impact	Actions to mitigate impacts	Strategic objectives	Target year	Progress to 2023
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Operational resilience	<p>Current and positive with proper management of our operations, potential.</p> <p>Negative for our customers and our operation in the event of failures and interruptions in service.</p>	<ul style="list-style-type: none"> • We have systems in place to ensure the reliability of our network. • We are certified under ISO 22301 standards for business continuity management and ISO 31000 for risk management. • We operate in accordance with international standards such as ITIL, ISO 9001 and ISO 27001. • We carry out preventive maintenance. • We have an area focused on is the prevention and mitigation of cyberattacks. • We perform disaster tests and simulations on the most essential elements of the network. 	To be defined.	To be defined.	N/A
<p>10 REDUCED INEQUALITIES</p>	Digital inclusion	Current, potential and positive for our operation and society considering the solutions we offer to the market.	<ul style="list-style-type: none"> • We have high-tech solutions affordable to our customers. • We support the digitalization of processes to contribute to the efficiency of companies. • We grow our coverage annually to offer services to more customers and companies. 	To be defined.	To be defined.	N/A
<p>15 LIFE ON LAND</p>	Circular economy and e-waste	Potential and negative to the environment in the event of poor management of our waste and the impossibility of reusing waste.	<ul style="list-style-type: none"> • We have a process for reusing microwaves and electronic equipment to avoid discarding them and increase the efficiency of their use. 	Recycle at least 9.4 tons of microwaves and electronic equipment for reuse.	2027	A cumulative total of 16.3 tons of electronic equipment were recycled and reused.



Related SDGs	Material topic in order of importance	Type of potential impact	Actions to mitigate impacts	Strategic objectives	Target year	Progress to 2023
<p>5 GENDER EQUALITY</p>	Gender equality	<p>Current, potential, and positive for our operation by retaining and attracting talent regardless of gender.</p> <p>Current, potential and negative for Axtel by missing opportunities to have capable personnel.</p>	<ul style="list-style-type: none"> • Public statement of commitment to diversity and equality through our policies: Diversity and Inclusion, Talent Attraction, Human Rights and Code of Ethics. • Talent Attraction Guide with the participation of at least one woman in all processes. • Succession planning including at least one woman in the succession process for each executive and leadership position. • High Potential Development Program with 30% female participation. • Unconscious Biases course for senior and middle managers to form inclusive teams. • Publication and dissemination of flexible work policies. • Mentoring Program for employees identified as candidates for executive replacement. • Review of compensation plans to validate pay equality. • Female talent development program. 	Increase female representation in the company's workforce. It is measured as a percentage of total labor force at least 30% by the end of fiscal year 2027.	2027	We achieved 99.4% of our target set for 2023.



TOP material topics



Material topic	Cybersecurity	Energy and emissions	Gender equality
Business case	Protecting our services and infrastructure, as well as the confidentiality, integrity and availability of the information we manage is crucial to our business. Our clients rely on our ability to provide connectivity solutions, as well as to operate as a technology partner and promoter of digitalization, managing cybersecurity risks and ensuring the continuity of our services and processes.	As a telecommunications company, energy is an essential resource for our operations and business, as we use it to power electronic equipment, air conditioning and lighting.	Axtel has taken steps to promote gender equality and improve the representation of women at all levels of the organization. However, there is more work to be done to overcome gender-related barriers and biases and create more inclusive work environments for women.
Initiatives to address the issue	We have a security governance model with clearly defined roles and responsibilities in the organization. This model is led by the CEO through the Information Security Committee and in strict compliance with our Public Position on Information Security. This security model allows us to manage cybersecurity risks and ensure the continuity of our services and processes, as well as promote awareness among our employees to protect their own information and that of third parties. We have also developed a robust awareness and training program that strengthens our culture and good digital hygiene habits among our employees. Our operation is certified to ISO 27001, ISO 22301, The American Institute of Certified Public Accountants (AICPA), Service Organization Controls (SOC) for Cybersecurity, National Institute of Standards and Technology (NIST), FIRST, PCI-DSS, and SSAE-18. We also conduct both internal and independent audits, reviews, and drills that confirm our compliance.	Committed to improving the way we manage and report environmental information, for the first time we developed our Greenhouse Gas (GHG) emissions inventory, in which we measure GHG emissions from our operations. For this project, we identified the direct and indirect emission sources associated with our activities and related energy use. Also, in 2020 we managed to reduce our electricity consumption by 12% as a result of initiatives focused on energy optimization and efficiency such as shutting down equipment, transitioning to clean energy sources, replacing luminaires, optimizing cooling levels, and applying thermal insulation technologies. In places, home office strategy that reduces the use of air conditioning and lighting, and technological renewal.	<ul style="list-style-type: none"> * Public statement of commitment to diversity and equality through our policies: Diversity and Inclusion, Talent Attraction, Human Rights and Code of Ethics. * Talent Attraction Guide with the participation of at least one woman in all processes. * Succession planning including at least one woman in the succession process for each executive and leadership position. * High Potential Development Program with 30% female participation. * Unconscious Biases course for senior and middle managers to form inclusive teams. * Publication and dissemination of flexible work policies. * Mentoring Program for women employees identified as candidates for executive replacement. * Review of compensation plans to validate pay equality. * Female talent development program.





Material topic	Cybersecurity	Energy and emissions	Gender equality
Goal	Increase annual hours of training per employee in cybersecurity and sustainability to at least 12.5 hours per employee by the end of fiscal year 2027 from 2022 levels.	Reducing scope 1 and 2 emissions by at least 41% by the end of fiscal year 2027 from 2020 levels.	Increase female representation within the company's workforce, measured as a percentage of the total workforce, to at least 30% by the end of fiscal year 2027.
2023 achievements	We achieved an average of 10.05* hours of training, an additional 40% to the 2023 goal.	In 2023 we managed to reduce emissions by 37.35% vs our 2020 base year.	We achieved 99.4% compliance with the goal set for 2023.
Associated executive compensation	Each Executive Direction has direct or indirect metrics depending on Axtel's material topics, achieving them is linked to the remuneration they receive each year.	Each Executive Direction has direct or indirect metrics depending on Axtel's material topics, achieving them is linked to the remuneration they receive each year.	Each Executive Direction has direct or indirect metrics depending on Axtel's material topics, achieving them is linked to the remuneration they receive each year.

* 39,653.18 hours of training to 3,946 employees.



Materiality metrics for value creation

Material topic	Goal
Cybersecurity	Annual increase in training hours per employee in cybersecurity and sustainability by at least 12 hours per employee by the end of fiscal year 2027 from 2022 levels.
Energy and emissions	Reducing scope 1 and 2 emissions by at least 40% by the end of fiscal year 2027 from 2020 levels.
Diversity and inclusion	Increase female representation in the company's workforce by at least 30% by the end of fiscal year 2027 from 2022 levels.

WE DEFINED SPECIFIC GOALS FOR THE THREE MOST RELEVANT TOPICS TO OUR BUSINESS.





Material topics for external stakeholders*

In the surveys that were conducted to our stakeholders, the participation of some allies, partners and suppliers was considered. These were the issues that proved most important from their perspective.



Material topic	Impacto
Innovation	Customers benefit from innovation through enhanced products and services that can deliver new functionalities that ensure efficiency and competitiveness and open doors to new opportunities for collaboration and market development.
Cybersecurity	It is crucial for protecting joint operations and maintaining data integrity, building trust while improving your reputation and reducing risk.
Network quality and reliability	They ensure uninterrupted and efficient operations, essential to maintain solid and long-lasting business relationships with customers, partners and suppliers.



*Customers, partners and suppliers.



Industry and risk analysis

Innovation drives us to maintain a constant global and local analysis of technological, environmental and social trends for Axtel, as well as the different industries we serve as a business.

In addition, **we analyze the risks of the industry in the country, as well as the global industry**, where there are advances in regulations and more advanced economies. This allows us to identify risks and opportunities for the following years.

IDENTIFYING OPPORTUNITIES AND RISKS RELEVANT TO OUR ACTIVITIES ALLOWS US TO PLAN AND INNOVATE EFFECTIVELY.

Business activity	Global industry development trends	Industry development trends in Mexico	Axtel's current position	Opportunities	Threats	Innovative strategies / services
New media services and massive data consumption	Telecommunications actively invest in the application industry chain. Trend in investments in 5G technologies.	Rapid digital transformation is necessary to promote economic growth and meet business needs.	Axtel is one of the leaders in infrastructure that provides capabilities for 5G development.	Strengthen adherence to immersive interaction entertainment to meet users' needs. Strengthening user trends towards the use of 5G devices.	The transmission of innovative media platforms drives growth and seeks to maximize the value of production in industries.	Investment in infrastructure strengthening in parks or hubs where companies promoting 5G platforms or devices are established.
IoT and platform products	IoT adoption is increasing in many industries, revenue to date has only seen linear rather than exponential growth.	IoT requires an ecosystem of partners—telcos, software and cloud providers, and system and business integrators—coming together to develop effective and scalable solutions.	Axtel has developed solutions to support IoT services and continues to develop new infrastructure and intellectual capabilities to increase its range of solutions to customers.	In the coming years, an exponential increase in the number of IoT devices that will be connected is expected, as the number of devices is expected to approach ten billion by 2027.	The broad spectrum of devices and types of IOT applications increases the costs of attention, specialization needs by industries.	They seek to increase capabilities to achieve distinctive attributes by partnering across their ecosystems with specialists and cloud providers.

Note. Internet of Things (IoT).





Business activity	Global industry development trends	Industry development trends in Mexico	Axtel's current position	Opportunities	Threats	Innovative strategies / services
Enterprise customer services	Application of 5G. Information Security. Cloud. IOT.	Digital transformation. Online digital services are being developed to replace traditional in-person operations.	Axtel has modified and adopted agile ways of working to transform customer satisfaction, generate business impact and increase efficiency.	Pressure to develop or improve 5G, fixed wireless access (FWA) and fiber networks, and to diversify their offerings.	Agility, restructuring and digital implementation.	Optimization of commercial excellence. Creation of digital businesses. Customer experience. Smart grid strategy and capital expenditures.
Telecommunications network services and technology	Fiber deployment continues to grow, and there is still a long way to go. Open Radio Access Networks (Open RANs), which drive interoperability between devices and vendors, are niche technology, but with notable initiatives.	It accelerated digital transformation and drove economic growth from business needs.	We are the second largest infrastructure company in Mexico and the largest in offering infrastructure services to other carriers.	5G technology, combined with the start-up accelerator, has driven the development of new business models.	There is a lag compared to other countries, however, globalization will drive accelerated growth in the coming years.	Improve indoor 5G coverage with NR AC technology. New hardware / features to improve cell tower energy efficiency / dynamic energy saving.
Information security	The pandemic years have accelerated the digitalization of almost every industry.	The government is about to launch the Cybersecurity Law.	The Information Security processes we offer our clients position us as one of the leaders in Mexico.	Information security will be a basic component of the private and public sectors, which will have to implement it to maintain operational continuity in the coming years.	Hackers target manufacturing, finance, and critical infrastructure industries by recent technologies such as IoT and AI.	Provide secure and reliable services, such as 5G private network information security and industrial controls.
Personal information and privacy	Digitalization increases online services to personal data and privacy, which increases the risk of data loss.	Society and government are demanding increased controls and investments in personal data protection and privacy security.	ISO 27001 and certifications that guarantee the correct handling and safeguarding of internal information and that of our clients.	Enterprise and public sector anti-fraud services are required.	Failure to provide adequate service can affect the reputation of the business.	Provide counterfeit app detection and protection services.

Note. Artificial Intelligence (AI).

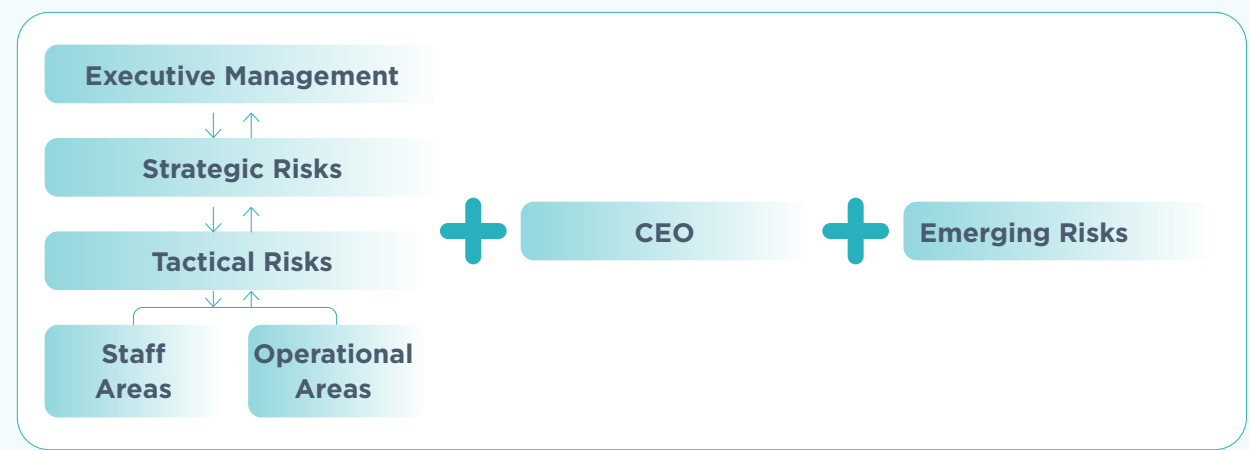


Managing risks and opportunities in sustainability

GRI 2-12, 2-13, 3-3
TCFD Governance a), b), Risk management a), b), c)

Axtel, like any other company, is exposed to the social, environmental and economic context in the places where we operate, so identifying, managing and monitoring potential risks³ is a key annual activity carried out by the Internal Control area, under the Legal Executive Direction. The process takes a bottom-up and top-down approach to identifying and escalating risks at all levels of the organization.

Bottom-up and top-down approach



The risk identification and treatment flow is, based on the operating environment of the business:

1. Identification of risks
2. Risk assessment
3. Mitigation response
4. Risk monitoring and management

³ Some risks to which we are exposed at Axtel are financial, regulatory, market, fiscal, social and ethical issues, as well as those related to climate change, effects of natural phenomena and others specific to the industry of which we are part such as net neutrality, paid peering, zero rating and other practices related to network reliability.

⁴ Find more details about our materiality analysis in the **Materiality** section of this report.

The mentioned process ensures the involvement of all levels of the organization, guiding risk-based and informed decision-making through appropriate levels of responsibility. The results of the risk assessment exercise and the actions to mitigate them are presented to Senior Management and the Audit and Corporate Practices Committee.

As part of this exercise, we generated a risk matrix in which the ten priorities are classified, as well as a strategy to manage them and define those responsible for monitoring them. This risk matrix is presented each year to our CEO, Senior Management and the Audit and Corporate Practices Committees of Axtel, and the most relevant risks are reviewed on a quarterly basis, so that the follow-up and monitoring actions that each executive management must conduct can be defined.

Additionally, in 2022 we updated our materiality analysis with the double materiality component, so we were able to identify the risks associated with Axtel's material issues⁴.



Main risks

1. Market.

Loss of income and increased risk due to sourcing criteria of industries and sectors.

Probability



Actions to mitigate

- Consolidate new commercial strategies, adapt offers.
- Offer specialized solutions, cybersecurity, and IT.
- Monitor contract expirations.

2. Cybersecurity.

Cyberattacks and theft of customer information.

Probability



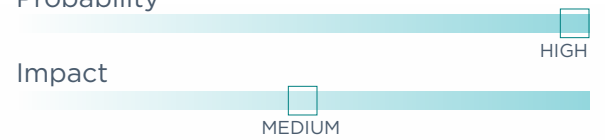
Actions to mitigate

- Provide continuity in the implementation of comprehensive security architecture.
- Train and raise awareness among all employees.
- Acquire new detection tools.

3. Market.

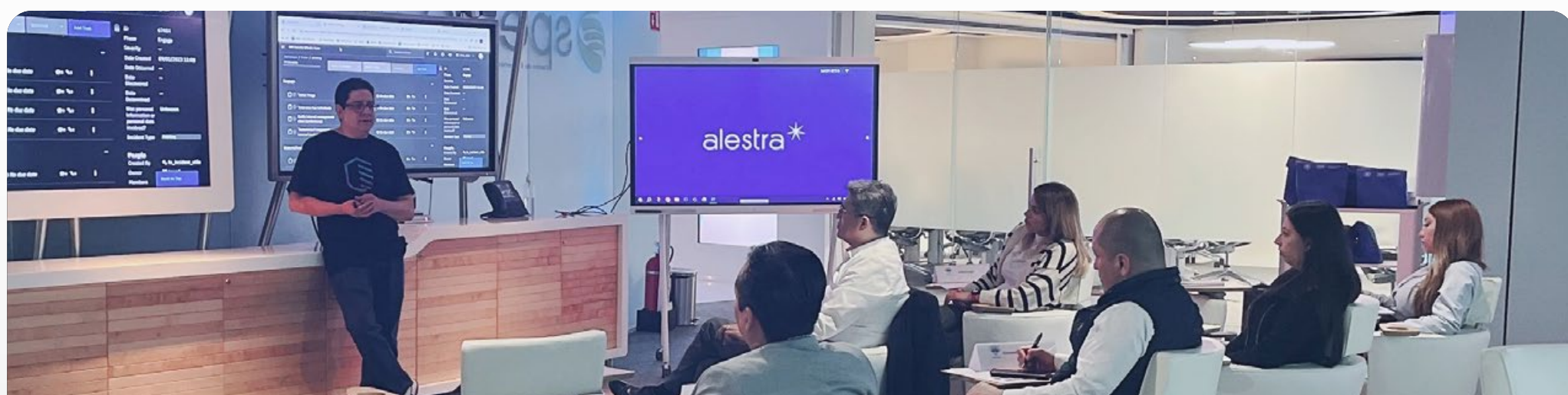
Decrease in market opportunities in mobile operators and infrastructure.

Probability



Actions to mitigate

- Increase engagement with strategic customers.
- Growth of 5G.
- Capitalize on USMCA and nearshoring opportunities.



ALL ESG RISKS AND CLIMATE CHANGE-RELATED ISSUES ARE MONITORED BY THE BOARD OF DIRECTORS IN ANNUAL SESSIONS.

Climate change is a reality that company management needs to face, so **all of the departments within the organization participate and are responsible for assessing climate-related risks and opportunities** that could impact our services or operations, seeking to incorporate the necessary measures to mitigate their possible negative impacts. This is also done through the process described above.

Like all relevant issues of the organization, climate-related issues are reported through periodic meetings, and if necessary, additional meetings are held in which risks and alternatives for action are exposed. If the need arises to report a climate-related situation immediately, it can be done through ESG Operating Committee meetings; and if it is relevant enough, it is reported at ESG Executive Committee meetings.

Through the annual exercise, with each of the directions, we identify the climate-related risks and opportunities and determine the criticality and impact for each one, as well as the action plans. Opportunities related to climate change are also analyzed in order to identify those that may have a significant impact on Axtel's stability and long-term success.

Climate change risks and opportunities management

GRI 201-2
TCFD Strategy a), b), c)

The geography of Axtel's operations allows us to fully identify the risk factors related to the climate where we operate, from the areas of possible effects of hurricanes, floods, earthquakes and strong winds, as well as the wear and tear and damage to infrastructure due to exposure to severe and/or corrosive climates.

With increasing regularity, our network is tested by natural disasters and the effects of climate change. We recognize the impact these effects can have, which is why we are committed to identifying, managing and mitigating the potential impact and magnitude of physical climate risks on our operations. We do this in order to guarantee our capacity to support customers and communities, while maintaining maximum resilience and sustainability in the service.



MANTAINING OUR NETWORK AND OPERATIONS UP AND RUNNING IS CRITICAL FOR THE SERVICES OF OUR ENTERPRISE AND PUBLIC SECTOR CUSTOMERS, WHO DEPEND ON THE CONNECTIVITY WE PROVIDE.

For this, we established a set of rules that allow us to identify the type of risk or opportunity, its level, place of occurrence, time horizon and type of impact.

Each climate-related risk is treated and managed in the same way as any other risk in the company:

- The area with the greatest interference in the risk is responsible for monitoring it, who in conjunction with internal and external specialists, determine the actions to be implemented to mitigate or contain the risk.
- The actions to be taken are presented to the Operating Committee and the ESG Executive Committee. On a quarterly basis, follow-up is provided through the Board meetings and the Audit and Corporate Practices Committee.
- If the risk is considered relevant, the action plans and implementation of controls to address it are incorporated into the objectives and variable compensation of the person responsible..



Additionally, as part of risk prevention, we carry out:

- Electromechanical maintenance plan, in force throughout the year, reinforced in hurricane zones and seasons.
- Reaction programs for attention in areas that will be impacted by natural disasters, sending the required personnel to provide timely attention and maintain active operations.
- Planning infrastructure deployments considering areas with potential climate impacts and using forecasts (for example, in coastal areas, sea level rise is considered).



Main climate change risks



Type of risk	Risk level	Risk	Description of the risk	Place of occurrence	Time horizon ⁶	Type of impact	Management practices
Regulatory	Medium-high	Cap & Trade	National government regulations to control greenhouse gas emissions (prices). The telecommunications industry becomes a regulated industry in Mexico	Axtel	Long-term	Increased indirect costs.	Increase the consumption of renewable energy.
Regulatory	Medium	Carbon tax	Tax systems by international or national regulators related to greenhouse gas emissions, climate change or waste in the telecommunications industry.	Axtel	Long-term	Increased direct costs.	Increase the consumption of renewable energy. Gradual reduction of energy consumption.
Regulatory	Medium-high	Notifiable	Regulations by international or national regulators to control greenhouse gas emissions, which require all companies to implement inventory controls, declarations and verification.	Axtel	Medium and long term	Increased direct costs.	Internal and external labor costs for verification and declaration.
Regulatory Financial	High	Renewable energy regulations or laws	International or national regulations related to renewable energies that may affect current and future energy sources, composition, prices, among others.	Axtel	Long-term	Rising energy prices. Increased direct costs.	Installation of renewable energy.
Physical	Medium	Tropical cyclones	Direct or indirect disasters caused by an increase in the number or intensity of regional tropical cyclones.	Axtel	Short-term	Increased indirect costs.	Protocol for attention and follow-up in the event of contingencies (earthquakes, hurricanes, electrical failures, extreme weather).

⁵ We consider the following time horizons: short term - 1 to 3 years, medium term - 3 to 8 years and long term - more than 8 years, considering in each of these, the following issues.

Short term: equipment with direct or indirect exposure to climatic conditions that may be damaged and require a higher level of revision or maintenance; frequent revision and maintenance of infrastructure in general in areas that have recently suffered climatic conditions.

Medium term: infrastructure installed in areas with a high volume of construction, as well as the development of new infrastructure or impact in more severe climatic zones that may deteriorate more rapidly than expected.

Long term: any installed infrastructure is reviewed according to maintenance protocols based on its exposure to normal use and climatic conditions.



Main climate change opportunities

Type of opportunity	Opportunity level	Opportunity	Description of the opportunity	Place of occurrence	Time horizon	Type of opportunity	Management practices
Market	Medium-high	Developing sources of capital	Increase sources of financial capital, such as the issuance of SLLs and better terms based on a reputation for sustainability.	Axtel	Medium and long term	Increased capital acquisition.	SLL and Green loans.
Resource efficiency	Medium-high	Energy-saving buildings	Improve the energy consumption of existing sites, incorporating technologies, furnishings, or infrastructure to improve efficiency or low consumption and incorporate energy savings into design considerations.	Axtel	Short-term	Improved operational efficiency.	Design with energy savings in mind at sites, data centers, networks, and operational activities.
Products and services	Medium-high	Adaptation and solutions	The introduction of new products or services can help reduce the global impacts of climate change and facilitate agile adaptation to customers and their new needs.	Axtel and the downstream or user side	Short-term	New products or services and adaptation.	Introduce and promote product and service innovations based on customer needs.
Resource efficiency	Medium-high	Production process	Adopt processes that are more resource-efficient, reduce waste generation, improve product performance, or shorten delivery time.	<i>Upstream or supply chain</i>	Short-term	Reduction of operating costs.	Implement enterprise-wide initiatives to reduce waste, shorten times, and create more efficient processes.



Climate incident monitoring, prevention and management program

GRI 3-3

As part of our prevention and management system, we conducted more than two hundred thousand preventive maintenance routines during 2023 in order to maintain network availability and ensure the proper functioning of our operation.

Likewise, **we have a process in place to handle contingencies due to weather incidents**, which is managed by a committee made up of personnel from different areas of Axtel to ensure that the entire operation is covered at the time of reacting.

Our country is highly vulnerable to hurricanes due to its location between the Pacific and Atlantic oceans. In 2023, the hurricane forecast in Mexico was 38.

Of the events forecast for both oceans, 17 were recorded in the Pacific Ocean, of which we monitored eight and five made landfall. On the other hand, 19 were recorded in the Atlantic Ocean, of which we monitored three, and one made landfall.

We promote a culture of prevention in the face of hurricane season, which begins in May and June in the Pacific and Atlantic Oceans, respectively. Since March, we have started with preparations such as verification meetings, closure of maintenance tasks, validation of spare parts, materials and consumables, testing of emergency plants, local and remote technology backups, validation of equipment and tools, among other activities that allow us to guarantee our operation during these weather events.

Acapulco is an important example of this. As a precaution, prior to the impact of Hurricane Otis in Guerrero, some of our personnel were sent to respond to the emergency. During this incident, which affected a large number of families, Axtel sent technical personnel for the restoration of services and communication of the city, in addition to providing support to the families of the workers who live in that area with in-kind donations.

Considering Hurricane Otis, during 2023 there were multiple climatic and adverse events. However, thanks to this process, we were able to maintain an optimal margin of affectation that was not reflected in the service our customers received.

Critical incident lifecycle



Communication with stakeholders

GRI 2-29

We value our relationship with stakeholders and **strive to establish constant, two-way communication** that allows us to closely understand their concerns and needs.

We are committed to jointly identifying both risks and opportunities that arise in areas of common interest. This collaborative effort is essential to generating lasting value in our relationship with each stakeholder and reflects our dedication to conscious and shared business growth.

We align with best practices to identify our stakeholders, following specific principles to determine the level of stakeholder engagement, which is reflected in Axtel's Stakeholder Engagement Policy.

Participation:

stakeholders who are interested in Axtel's social, environmental, financial or economic issues.

Dependence:

direct or indirect on the stakeholders in Axtel's activities, products or services, or on the stakeholders on whom Axtel's functions depend.

Influence:

stakeholders with influence over the organization or operational decision-making.

Responsibility:

legal, commercial, operational and moral responsibilities to the stakeholders assumed by Axtel in the present or in the future.

Perspectives:

insights from a stakeholder group that could help the organization understand current conditions and identify new opportunities for the organization.

Stakeholder communication risk management

At Axtel we consider the prevention of risks derived from participation and communication with our stakeholders, therefore, we carry out the following actions.

1. Avoid as far as possible the exclusionary effect caused by the procedures. If conditions permit, at least two types of engagement channels will be provided.
2. The activities in which the stakeholders will participate will be:
 - I. Clearly explained.
 - II. Will be continually reminded of the purpose of the activities..
 - III. The scope of the expected results to ensure that stakeholders have a collective understanding.
 - IV. Can reach a consensus.
3. Periodically assess whether there are shortcomings in stakeholder engagement and design improvement plans.
4. Once any involvement risk is identified for a potential stakeholder, the origins of the issue will be immediately clarified and will maintain communications with the stakeholder to discuss solutions until the issue is resolved.



Stakeholder communication matrix

Stakeholder	Importance for Axtel	Communication strategy	Communication frequency / performance in 2023	To respond to issues of concern
Employees	Human Capital is the main factor to maintain organizational success, our purpose is to create and maintain a comprehensive and stable work environment.	Briefings on labor relations and company-related matters.	As needed. Several times a year.	<ul style="list-style-type: none"> • 360° evaluation. • Talent development and retention. • Communication mechanisms.
		Communications at the level of Management and Functional Directors during the year, reminders in the previous months to attend the meeting.	Once a year. Two meetings were convened in 2023.	
		Opinion poll.	Once a year. Improvement measures are carried out based on the results of the survey.	
		360° feedback mechanism, professional development survey, performance appraisal interview, and feedback on professional and functional development.	Once a year. A session was organized.	
		Institutional plan for training and personal development.	Formulated every year with the process followed monthly.	
		Special wellness events organized by the Human Capital area, Q&A sessions with the specialist (health, safety, social issues).	Several times a year.	
		Transparency Helpline.	Independent 24x7 mechanism that employees can use to communicate any business-related matter.	
		Internal/external website, internal community communication software, email.	As needed.	



Stakeholder	Importance for Axtel	Communication strategy	Communication frequency / performance in 2023	To respond to issues of concern
Suppliers	Suppliers contribute significantly to the company's success. Through our value chain, we can offer our customers comprehensive and valuable products and services to meet their needs.	ESG Supplier Program.	Once a year. With an ESG questionnaire to share and improve sustainability practices.	<ul style="list-style-type: none"> • Sustainable partnership. • Communication mechanism.
		Mechanism for communication with suppliers.	As needed.	
		Email.	As needed.	
		Transparency Helpline.	As needed. Suppliers can use 24/7 independent mechanisms to communicate any business-related matters.	
		Supplier portal.	As needed.	
		Onboarding questionnaire.	As part of the onboarding process, suppliers can communicate any business matter.	
Competent Authority	Responsible for improving the practices and systems of the telecommunications industry in Mexico.	Meetings, visits	As needed.	<ul style="list-style-type: none"> • Legal compliance.
		Official documents.	As needed.	



Stakeholder	Importance for Axtel	Communication strategy	Communication frequency / performance in 2023	To respond to issues of concern
Communities/ NGO's	We strive each year to bring value to stakeholders, and this includes community and nonprofit organizations.	Transparency Helpline.	Independent 24x7 mechanism that the community can use to communicate any matter related to the company.	<ul style="list-style-type: none"> • As needed. • Safety of electromagnetic fields. • Promotion and assistance to the use of the user. • Social inclusion.
		Social welfare activities.	We engage in social welfare activities focusing on issues of social education, promoting the integration of science and technology, responses to social emergencies, social welfare through technology, and financial care.	
		Fundación ALFA website, store activities.	24 hours.	
		Questionnaire.	As needed.	
		Internal/external website, internal community communication software, email.	As needed.	

Stakeholder	Importance for Axtel	Communication strategy	Communication frequency / performance in 2023	To respond to issues of concern
Clients	The customer is at the core of our growth. We offer exceptional customer service and valuable services and products.	Customer service hotline and email inbox.	24 hours.	<ul style="list-style-type: none"> • Network reliability. • Customer experiences. • Innovation of products and services. • Communication mechanism.
		Marketing activity.	As needed.	
		Information and communication messages.	As needed.	
		Official website, customer service app	24 hours.	
		Questionnaires, forums and official documents.	As needed.	
		Transparency Helpline	Independent 24x7 mechanism that customers can use to communicate any business-related matter.	
		Customer satisfaction survey.	At least 1 time a year.	
Shareholders / Investors	We are committed to generating profit and value for every shareholder by creating great products for our customers and improving our day-to-day business performance.	Investor and general shareholder meetings, institutional investor conferences and meetings, and roving investor meetings.	Several times a year.	<ul style="list-style-type: none"> • Operational strategies and performance. • Ethical operation. • Legal Compliance.
		Investor section website.	24 hours.	



Communication channels that apply to all stakeholders

Main communication channels	Frequency
Intranet	24x7
Social media	24x7
Web page	24x7
Press releases	Quarterly
Financial reporting	Quarterly
Integrated Annual Report	Annual



Developing stakeholder communication skills

We have communication channels for our different stakeholders, ensuring effective communication.

These channels include press releases, reports, websites, dialogues, questionnaires and surveys, meetings, training, or hotlines dedicated to accepting and responding to stakeholder requirements.


Considering some criteria, we determine the best way to establish contact.



- Type of stakeholder
- Relevance to Axtel
- Location
- Native language
- Importance of the topic to be discussed

In addition, **we have means of communication to share and exchange experiences**, demystify risk situations, provide information on industry trends, organize education and training courses, and as far as possible, organize forums and invite high-level executives or industry experts to share their experience.





Operational performance

IN 2023 WE EXPERIENCED A SIGNIFICANT EVOLUTION IN OUR COMMERCIAL AND OPERATIONAL STRATEGY, FOCUSING ON **FOUR STRATEGIC LINES OF BUSINESS** FOR OUR CLIENTS



BUSINESS
STRUCTUREFINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE

Business structure

GRI 2-1, 2-6

We are a Mexican company **enthusiastic about transforming organizations with connection and digitalization solutions** for their sustainable development. We seek to be **the best option for our customers in their digital experience** through **innovation and value creation**.

The Company is a subsidiary of Controladora Axtel, S.A.B. de C.V. ("Controladora Axtel") as of May 29, 2023, due to the fact that on that date the conditions precedent that were defined at the extraordinary general meeting of Alfa S.A.B. de C.V. ("ALFA") of July 12, 2022 were fulfilled with retroactive effect to that date.

ALFA's shareholders received one share of Controladora Axtel for each of their ALFA shares, in addition to retaining their stake in ALFA's share capital.



BUSINESS STRUCTURE

FINANCIAL PERSPECTIVE

NETWORK RELIABILITY

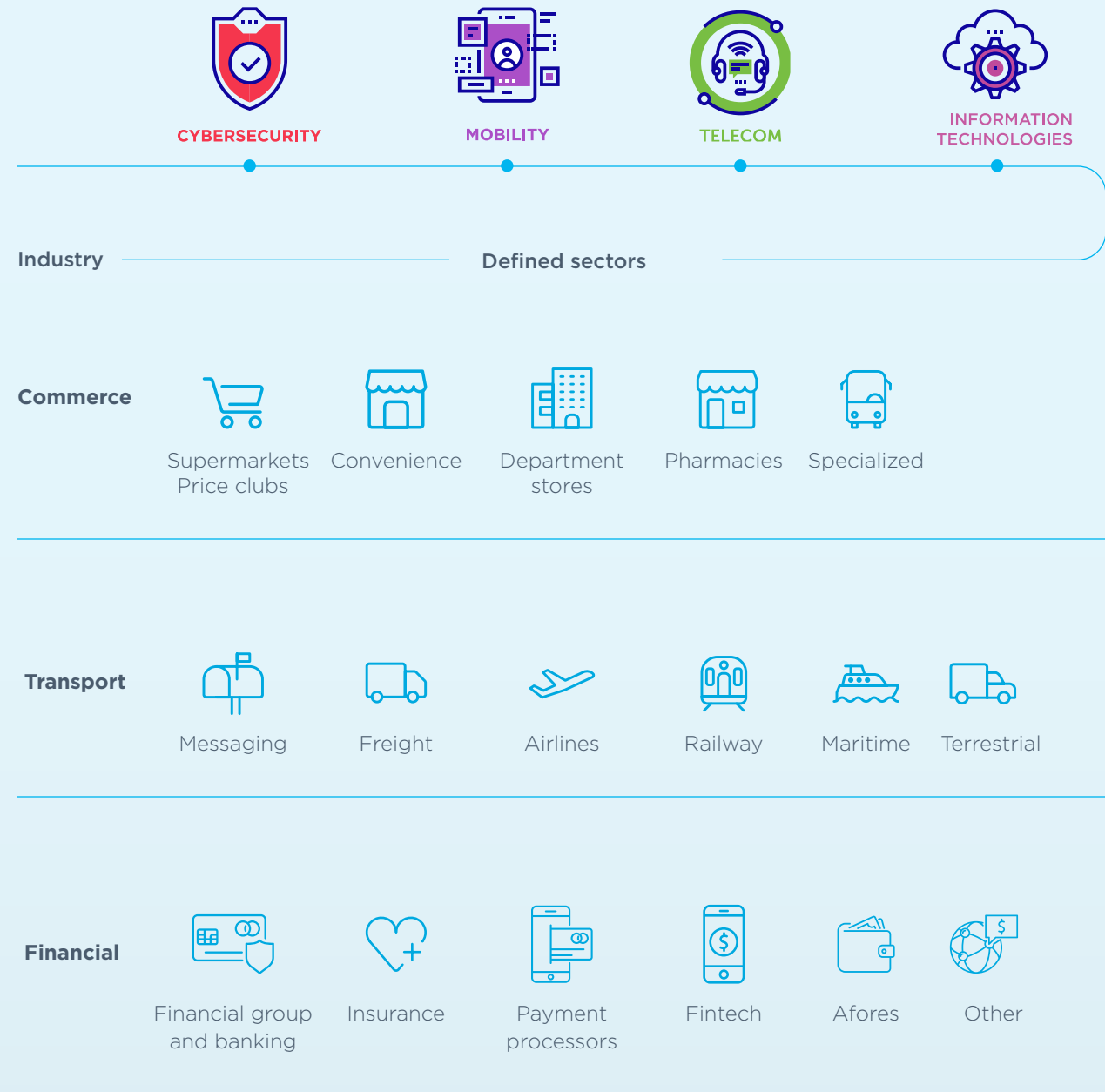
CUSTOMER EXPERIENCE

Business units

In 2023 we experienced a significant evolution in our commercial and operational strategy, realigning our operation into four strategic business lines.

This consolidation and focus reflect our constant search for specialization and innovation, in order to distinguish ourselves in the market and provide our clients with an agile and close service, with the intention of growing the loyalty of our clients through greater satisfaction in the services provided.

WE ARE COMMITTED TO DELVING DEEPER INTO THESE AREAS, REFINING OUR SERVICES TO OFFER UNIQUE AND VALUABLE SOLUTIONS.



BUSINESS STRUCTURE

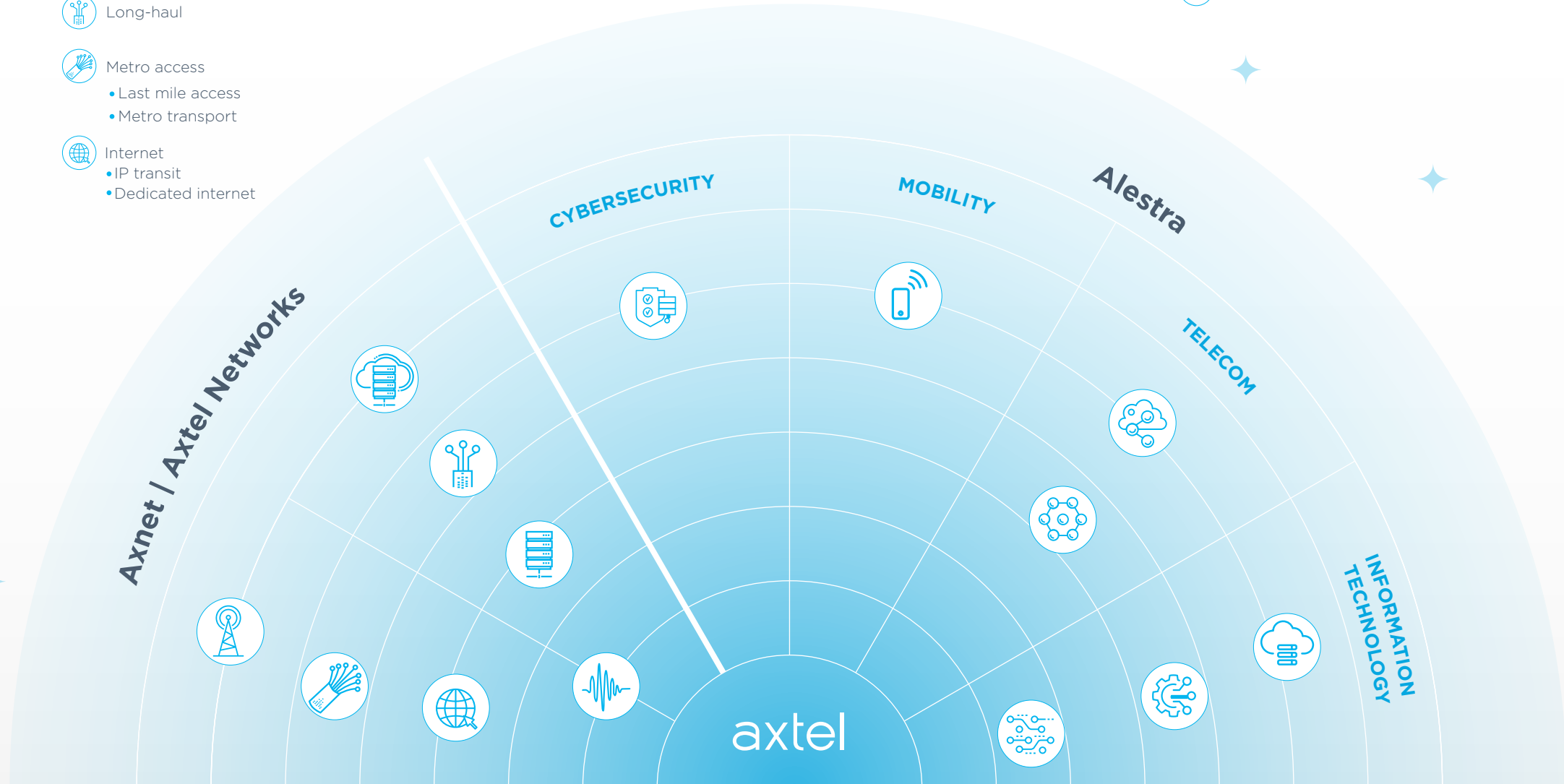
FINANCIAL PERSPECTIVE

NETWORK RELIABILITY

CUSTOMER EXPERIENCE

Portfolio of services

- Fiber to the tower
- Colocation
 - Network pop colocation
 - Colocation in data center
- Cybersecurity
- Connectivity
- Cloud
- Data center connect
 - Data center to data center
 - Fiber to data center
- Spectrum
- Mobility
- Collaboration
 - Networks
- System integration
- Long-haul
- Metro access
 - Last mile access
 - Metro transport
- Internet
 - IP transit
 - Dedicated internet
- Digital transformation



**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE

Axtel Networks

With more than 25 years of experience in the Information and Communication Technology (ICT) sector, **we offer world-class infrastructure solutions** through our long-distance fiber optic network and spectrum to expand the capabilities of national and international operators, mobile and data centers, Internet giants, content and cloud providers. We serve as a conduit between our customers and the end user.

To remain the most relevant neutral infrastructure operator in Mexico, it is crucial that our fiber optic network has coverage in all regions of our country.

We provide fiber infrastructure that allows nodes to be connected, optimizing costs and ensuring world-class performance. Such as dark fiber, which provides the advantage of having your own infrastructure.

We are a great ally for our clients so that, in turn, they can serve their own customers in a timely manner. Seeking to ensure the operational continuity of our infrastructure, we invest in state-of-the-art infrastructure that allows us to provide reliable, continuous and quality service for our customers.

WE PROVIDE CONNECTIVITY TO THE MAIN DATA CENTERS IN QUERÉTARO, WITH A DEPLOYMENT OF 116 KM OF FIBER OPTICS.

In addition, in the last three years we have provided fiber-to-the-tower (FTTT) connectivity with 1,094 km of fiber optics. We also implemented a growth of Ethernet rings in a network of 11,740 km of fiber optics, with additional 200 Gbps growth in the Southeast. On the other hand, **we have coverage in 894 industrial parks nationwide covering more than 90% of the market, as well as in 520 business centers in 15 cities.** We also expanded our operational sites by enabling 12 new points of presence.



We have
50,800 km

of fiber optics, covering 76 cities within the national territory.



BUSINESS STRUCTURE

FINANCIAL PERSPECTIVE

NETWORK RELIABILITY

CUSTOMER EXPERIENCE

Our infrastructure

+27,000 km
metropolitan rings

+260,000
business locations in coverage

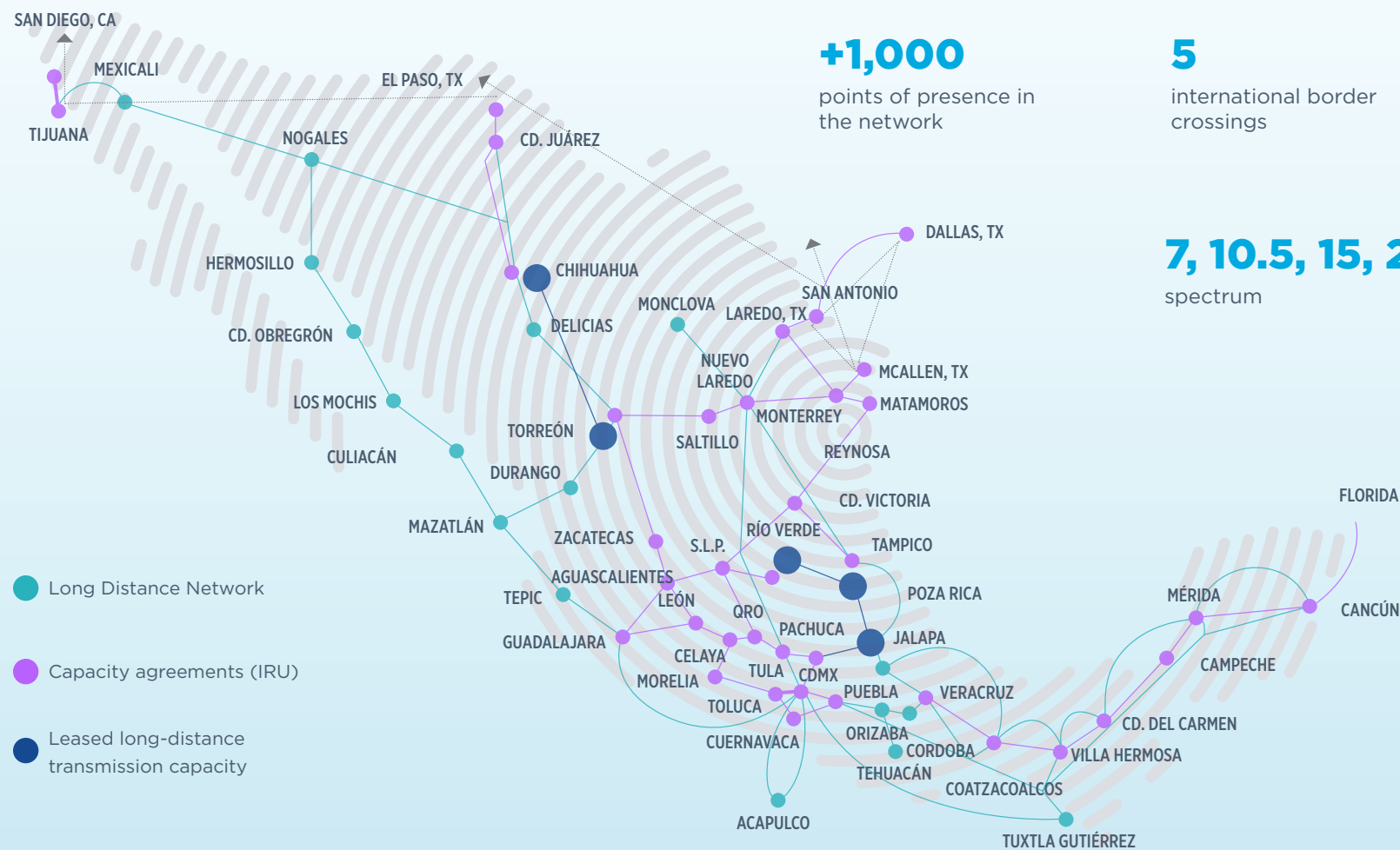
+23,800 km
Long Distance Network

+1,000
points of presence in the network

5
international border crossings

76
cities

7, 10.5, 15, 23, 38 Ghz
spectrum



**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE

Alestra

As partners in digital evolution, **we provide advanced ICT solutions** to more than 11,000 government and enterprise clients across different sectors, which are based on the use of managed networking, collaboration, cybersecurity, systems and cloud integration, mobility, digital transformation and connectivity tools.



1. Cloud Express Direct and private connectivity to more than 250 Public Clouds such as AWS, Microsoft Azure, Google, Oracle and many more. The service is a high-performance connection alternative independent of your current network.



2. Alestra Móvil. First business mobile phone offering. Unique for its high-availability multi-operator network, three levels of security, professional tools and apps, self-management and more.



3. Secure Cloud. Managed solution, designed to provide visibility into our customers' workloads, governance, compliance, management, and security posture insight to reduce opportunities for cybercriminals.



4. Digital transformation. Solutions focused on transforming the business dramatically. Improve customer experience, productivity, profitability and better decision-making, generating a competitive advantage. These are some of the goals that Digitalization of Processes (DPA) and Internet of Things (IoT) pursue with use cases backed by market-leading technologies and the best team of specialists.



5. Blitz Architecture. Lightning strategy of technological modernization. Designed to migrate from a current environment to a more robust platform that accelerates the digital transformation of organizations.



6. Solutions by Industry: trade and manufacturing. We boost the business of our clients in both sectors, integrating solutions for their needs. We integrate the key business drivers to boost productivity and achieve goals.

From our specialization in 2023, we have generated **use cases** that manage several services and technologies that allow us to provide comprehensive solutions to our clients. As a result, today we have 23 use cases based on solutions that have been successful in meeting the needs and interests of our stakeholders. Thus, **we take advantage of the company's knowledge and experience to set it in motion.**



**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE

Centro Sperto

Alestra has three experience centers, called **Centro Sperto**, located in the cities of Monterrey, Mexico City and Querétaro. These centers aim to show customers the state-of-the-art technological solutions of our service families, in an experiential way. The centers have more than 50 solutions to show our customers, through demonstrations, the technological scope we have.

In 2023, Centro Sperto reopened its site located in Monterrey, where we had the participation of media, business clients, the financial sector and government, to display our solutions through vertical-aligned experiences.

During 2023, Centro Sperto released the following initiatives:

Experiences focused on the verticals of retail, government, manufacturing and cybersecurity, where, through storytelling, we take the client to learn about technological solutions and promote digital transformation.

Initiative-taking, customization of the Experience Center according to the needs of our customers. *llevamos*

Virtual Operational Tours, which are guided directly by our experts in Cyber Defense Center (CDC), Data Centers (DC), IT Service Management Center (CASTI) and Network Operation Center (NOC), allowing for an interactive experience.



Business Market

As part of our commitment to the digital transformation of companies across a variety of industries, we provide access to technology-driven business opportunities.

Through an increasingly specific portfolio, **we provide solutions to the business market** that improve their efficiency, productivity and competitiveness, as well as be resilient to market changes.

At all times we consider the needs and interests of our clients to offer a personalized approach in order to achieve their goals through technology.

In 2023, we provided solutions to more than

11,000

enterprise customers.



We have more than 100 services, which has allowed us to have a great market penetration in terms of the number of accounts. In order to differentiate ourselves in what we can offer as specialists, we divided our portfolio into four lines of business: cloud, managed networks, cybersecurity and mobility. For each, we focus on having service specialists that allow us to reach out to customers at a broader level of specialization.

AT ALESTRA, AS **#EspecialistasenTI**, WE KNOW THAT PROCESS AUTOMATION IS ESSENTIAL TO ADAPT TO CHANGING MARKET DEMANDS, OPTIMIZE RESOURCES AND ENSURE GREATER CUSTOMER SATISFACTION.



**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE

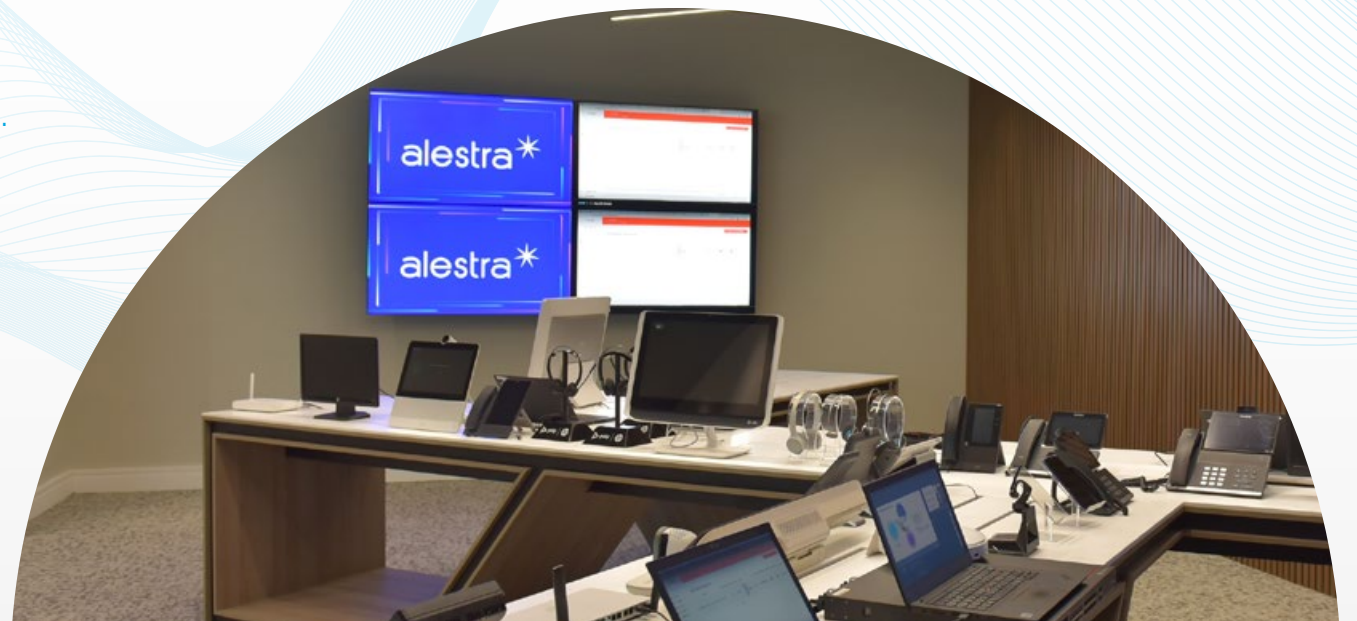
Alestra has a solution for the digitalization of processes to improve operational efficiency and the experience of each of our customers through the automation of a wide range of processes with an elevated level of detail.

Stemming from today's challenges and risks, it is essential for businesses to have effective IT support that solves technology-related problems such as hardware, software, networks and devices.

WE HAVE THE CENTER FOR THE INTEGRAL MANAGEMENT OF SERVICES, INFRASTRUCTURE AND APPLICATIONS, ALSO KNOWN AS HOC (HOLISTIC OPERATION CENTER).

The HOC effectively integrates functions, processes, tools, and people from its various operating centers, with the purpose of providing technology, operation, and management for a diverse range of solutions, equipment, infrastructure, network, and more.

Alestra business market income
(million pesos)



**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE

Alestra Móvil

Since the introduction of Alestra Móvil in 2021, our operation has positioned itself as the first enterprise virtual mobile network in Mexico. We seek to provide companies with the ability **to bring their experiences, tools and fixed technologies to a smartphone**, allowing them to have control over their companies' operations from anywhere, with a guarantee of the highest availability and security in the market.

**ALESTRA MÓVIL IS A
BENCHMARK IN BUSINESS
MOBILITY IN MEXICO.**



One of the key features of Alestra Mobile is Enterprise Mobility Management (EMM), which helps companies to fully manage their organization's mobility cycle when they need it and from anywhere. Favoring operational control and decision-making from the same platform, so that companies can manage and configure the security levels of their applications, tools and devices of their employees in accordance with their mobility policies with total autonomy.

In addition, in response to the need of teams to make collaboration more efficient immediately and under a secure encryption environment, in alliance with Airbus SLC Mexico, we developed Agnet 500 High Security, a critical mobile collaboration platform that allows for more efficient, secure and reliable group communications.



**AGNET 500 HIGH SECURITY
OFFERS SMARTER DEVICES
THROUGH PUSH TO TALK
FUNCTIONALITY, ENABLING A
SIMPLE AND INTUITIVE USER
INTERFACE.**

From their smartphone the user can press a button and can talk, send multimedia messages or even live videos and end-to-end encryption to their group with different ranges through broadband: 3G, 4G (LTE) and WiFi.



BUSINESS STRUCTURE

FINANCIAL PERSPECTIVE

NETWORK RELIABILITY

CUSTOMER EXPERIENCE

Agnat 500 High Security enables, among other things:



Private and/or group calls and messages



Private video calls with voice



Real-time geolocation tracking and reporting.



Emergency alerts and calls



Fallen man

As a result of the continuous effort to strengthen the relationship with our strategic partners and increase our level of technological specialization, in 2023 we reached new levels of partnership and performance recognition.

The only business mobile phone service in Mexico that offers:

Professional apps

- Mission Critical and Artificial Intelligence platforms
- Verticalized solutions by industry
- Collaboration tools of your choice
- Cloud backup service

Three-level security

- Real Mobile Private
- Network
- Protection at three levels: device, content, connection

24/7 management

- Manage your service 24/7
 - Equipment monitoring
 - Usage reports
 - Instant top-ups
 - Increase reach through bonuses
- Logged on to Alestra OneTouch
- Unified Mobility Management (UMM)

À la carte solutions for your business

- Flexibility of plans
- Intelligent data distribution by application
- Fixed-mobile integration

Benefits

- Reduce costs
- Optimal efficiency
- Reduces downtime



Public Sector

Our goal is to increase trust in digital services through the democratization of our services.

With a strong commitment to the needs of the Mexican population, we contribute to the public sector having the best technology with which we can provide them. To this end, **we design ICT solutions focused on the specific needs of local and federal governments.**

THIS YEAR WE FOCUSED ON DESIGNING A LONG-TERM TRANSFORMATION PLAN THAT MEETS THE NEEDS OF OUR CLIENTS IN THE PUBLIC SECTOR TO WITHSTAND THE CHALLENGES OF 2024.

As a result of our commercial strategy for the public sector, in 2023 we made considerable progress in:



Growth and consolidation of the sales team.



Positioning in various institutions and states within Mexico.



Increased relationship with several institutions.

Axtel supported the design of a comprehensive public transport strategy to create more agile and efficient routes with a Fleet Management solution that allows the control and monitoring of more than 1,550 units.

Benefits:

- Bus modernization
- Reduced waiting times
- Better service to citizens
- Increased routes
- Digitalization of services

**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE

WE CONTRIBUTE TO THE DEVELOPMENT OF THE NETWORK AND INFRASTRUCTURE OF THE FEDERAL AND STATE GOVERNMENTS, WHICH ALLOWS US TO CONTRIBUTE TO THE COMMITMENT TO ACCESS TO INFORMATION, TRANSPARENCY, AND DIGNIFIED AND QUALITY SERVICES TO CITIZENS.

We constantly implement strategies for advanced connectivity services, cybersecurity, managed services, cloud-based product portfolio, among others, with the aim of making government processes more agile.



Alestra government market income (millions pesos)



Board of Directors

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-15, 2-16, 2-17, 2-19, 2-20, 2-21, 2-23, 201-3
TCFD Governance a), b)

Our Board of Directors¹ has several functions, including defining the company's strategic direction. It is the **highest governing body** that, together with the CEO, is responsible for conducting the business and making decisions aligned with the values, ethics and integrity that characterize us, all in order to guarantee the creation of sustainable value for our customers, employees, investors and suppliers.

Axtel's Board of Directors is made up of 11 proprietary directors, of which six are independent² and one alternate. It is co-chaired by Álvaro Fernández Garza and Tomás Milmo Santos.

The board members and their respective substitutes are selected for their knowledge, relevant skills³, capacity, experience, trajectory and independence, in such a way that we do not discriminate based on gender, origin, marital status, religion or preferences.

AT LEAST 25% OF THE MEMBERS OF AXTEL'S BOARD OF DIRECTORS MUST BE INDEPENDENT, HOWEVER, WE AIM FOR MORE THAN 50%.

- ¹ Learn about the main functions of the Board of Directors in: <https://www.axtelcorp.mx/consejo-de-administracion/>
- ² Independent directors are not subject to personal, patrimonial or economic interests, in addition to complying with the requirements referred to in the Securities Market Law (Art. 26).
- ³ The competencies of directors are considered in topics such as finance, operations, strategic planning, human capital, ESG, risk management and public policy.



**BUSINESS
STRUCTURE**
FINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE

The members of the Board of Directors were appointed and approved at the General Shareholders' Meeting on March 7, 2023, in accordance with the guidelines defined in the Securities Market Law (LMV, by its name in Spanish), our bylaws, Code of Ethics, the OECD Code of Principles and Best Practices of Corporate Governance and the Principles of the Global Compact.

IN ACCORDANCE WITH THE LMV AND WHAT WE HAVE DEFINED INTERNALLY, 55% OF AXTEL'S DIRECTORS ARE INDEPENDENT.

The board evaluates, at least once a year, the strategy and metrics that are part of Axtel's sustainability plan. For its part, the Executive Committee, consisting of the Co-Chairs, Chief Executive Officer, Chief Financial Officer and Executive Director of Planning, review the plan and progress at least once a quarter, in which they follow up on the strategy, objectives and progress in the environmental, social and corporate governance (ESG) areas.

IN 2023, FOUR MEETINGS OF THE BOARD OF DIRECTORS WERE HELD WITH AN AVERAGE ATTENDANCE OF 93%.

We have institutional policies that are part of our company's corporate governance, in which we establish guidelines to conduct and develop ourselves ethically and with integrity with our stakeholders.



We also **promote transparency and accountability through the publication of policies that address key aspects of sustainability**, allowing customers, investors and the community to access clear information. This approach seeks to build trust, engage the community in sustainable practices, provide a framework for stakeholders, and contribute to the global conversation on sustainability.

TRANSPARENCY NOT ONLY REINFORCES AXTEL'S COMMITMENT TO SUSTAINABILITY, BUT ALSO FACILITATES ENGAGEMENT AND CONSTRUCTIVE DIALOGUE WITH ALL OUR STAKEHOLDERS.



Documents for responsible business conduct⁴

- Code of Ethics
- Anti-Corruption Policy
- Integrity Policy
- Fiscal Policy
- Information Security Policy
- Supplier Code of Conduct
- Human Rights Policy
- Health & Safety Policy
- No Gifts Policy

The compensation of the members of Axtel's Board of Directors considers their experience, knowledge and contributions to the fulfillment of the strategy, in line with applicable regulations and laws, during 2023 was Ps. 70,000 per session.

In the event of a conflict of interest, the directors are responsible for notifying the Board of Directors prior to making any decision, as well as abstaining from participating and being present at the deliberation and voting on said matter, without affecting the quorum required for the installation of the board.

⁴ Consult these documents at: <https://www.axtelcorp.mx/politicas/>

BUSINESS
STRUCTUREFINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE

WE DID NOT REGISTER ANY CONFLICTS OF INTEREST, NOR CONCERNS FROM OUR INVESTORS OR STAKEHOLDERS THAT SHOULD BE NOTIFIED TO THE BOARD OF DIRECTORS.

Our Board of Directors is supported by the **Audit and Corporate Practices Committee⁵**, which is made up of three independent directors and is chaired by Enrique Meyer Guzmán. This committee studies and issues recommendations to the board on matters related to auditing, corporate practices and the study of accounting policies, in addition to maintaining communication between managers and the Board of Directors and avoiding conflicts of interest. It is also responsible for decision-making and management of impacts on the economy, the environment and people.

As far as the management team is concerned, their remuneration is defined in accordance with our Salary Administration Policy, market surveys that we conduct and considering economic indicators such as inflation, growth expectations and the company's situation. Independent consultants do not participate in this process, however, proposals for general increases and/or adjustments to benefits or benefits are submitted to the General Directorate for approval.

The management team receives fixed and variable compensation, an annual bonus plan in accordance with the fulfillment of operational and strategic objectives, hiring incentives, severance pay, reimbursements, recoveries and retirement benefits, benefits based on market references, in addition to social benefits such as major medical expenses insurance, life insurance, emergency insurance and periodic medical check-ups.

OVERALL, THE REMUNERATION PAID BY AXTEL TO ITS DIRECTORS AND MANAGEMENT TEAM DURING 2023 WAS APPROXIMATELY **PS. 72 MILLION.**

9.28

ratio of total annual CEO compensation to the average employee.

Some of our Directors⁶ receive monetary incentives such as compensation and bonuses, which are linked to the achievement of the company's results, which are closely tied to Axtel's risk management metrics, energy efficiency, emissions targets, meeting targets and commitments. **The objectives specifically related to ESG issues are to reduce GHG emissions and increase training hours, such as those outlined in the TOP material topics section.**

⁵ Learn about the main functions of the Audit and Corporate Practices Committee at: <https://www.axtelcorp.mx/comite-de-auditoria/>

⁶ Axtel's Executive Directors who have ESG-related incentives are the Chief Executive Officer, Chief Legal and Regulatory Officer, ESG Director, Chief Operating Officer, and Chief Infrastructure and Operations Officer

Board of Directors

GRI 3-3, 405-1

The average tenure of members on Axtel's Board of Directors is 11 years.

Co-Presidente
 Propietario
 Independiente

Director	Character	Age	Gender	Nationality	Seniority on the Board	Industries of expertise	Other Boards in which participates
Álvaro Fernández Garza	<input checked="" type="radio"/>	55 years old	♂	Mexican	8 years	Telecommunications, Automotive, Consumer Goods, Petrochemical	8 Boards 7 are public companies UDEM, Nemark, Controladora Axtel, ALFA, ALPEK, Cydsa, Grupo Aeroportuario del Pacifico, Vitro.
Tomás Milmo Santos	<input checked="" type="radio"/>	59 years old	♂	Mexican	30 years	Telecommunications, Energy	Three Boards* ITESM, Promotora Ambiental, Tec Salud.
Eduardo Alberto Escalante Castillo	<input checked="" type="radio"/>	65 years old	♂	Mexican	5 years	Telecommunications, Petrochemical, Food, Steel	None*
Armando Garza Sada	<input checked="" type="radio"/>	66 years old	♂	Mexican	8 years	Industrial, Consumer Goods, Petrochemical, Automotive, Construction	8 Boards 7 are public companies ALFA, Alpek, Nemark, Controladora Axtel, BBVA Mexico, Cemex, Lamosa, Liverpool.
Patricio Jiménez Barrera	<input checked="" type="radio"/>	58 years old	♂	Mexican	17 years	Telecommunications, Finance	2 Boards* Grupo Tredec, Jumbocel.
Alejandro Miguel Elizondo Barragán	<input type="radio"/>	70 years old	♂	Mexican	8 years	Steel, Petrochemical, Food and Beverage	3 Boards* 1 is a public company. Arca Continental, Grupo Stiva, Museo del Acero.
Juan Ignacio Garza Herrera	<input type="radio"/>	57 years old	♂	Mexican	8 years	Electrical, Food	None*

Female
 Male

BUSINESS STRUCTURE

FINANCIAL PERSPECTIVE

NETWORK RELIABILITY

CUSTOMER EXPERIENCE

Director	Character	Age	Gender	Nationality	Seniority on the Board	Industries of expertise	Other Boards in which participates
Fernando Ángel González Olivieri	○	69 years old	♂	Mexican	14 years	Steel, Heavy Building Materials	2 Boards* Grupo Cementos Chihuahua, Universidad Tec Milenio.
Enrique Meyer Guzmán	○	64 years old	♂	Mexican	8 years	Industrial, Construction, Real Estate	6 Boards* 1 is a public company. UDEM, BBVA, Banamex, Silica Desarrollo, Fondo Emblem, Beliveo.
Ricardo Saldívar Escajadillo	○	71 years old	♂	Mexican	8 years	Telecommunications, Retail	3 Boards* 2 are public companies. FEMSA, Tecnológico de Monterrey, Grupo Industrial Saltillo.
Alberto Santos Boesch	○	52 years old	♂	Mexican	11 years	Airport, Food, Entertainment	10 Boards* 2 are public companies. Gruma, BBVA, Interpuerto Monterrey, other educational and philanthropic companies.

Note. None of our directors are executives of Axtel.
*Participates in four or fewer Boards of Directors of public companies.

NINE MEMBERS OF OUR BOARD ARE DIRECTORS OF FOUR OR FEWER BOARDS OF DIRECTORS OF OTHER COMPANIES.

♀ Female ♂ Male



BUSINESS
STRUCTUREFINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE

● Co-Chairs

Álvaro Fernández Garza
March 27, 1968 (age 55)

Director and Co-Chair of the Board of Directors of Axtel since February 2016 **(8 years)**.

CEO of ALFA, S.A.B. de C.V. (ALFA). Chair of the Board of the Universidad de Monterrey (UEM) and Co-President of Nemark and Controladora Axtel. Member of the Boards of ALFA, Alpek, Cydsa and Vitro.

He holds a bachelor's degree in Economics from the University of Notre Dame, and an MBA from ITESM and Georgetown University.

Telecommunications Industry (ICT):

Executive Director of Alestra from 1996 to March 2003.

Functions: Finance, Operations and Strategic Planning.

Industry Experience:

Telecommunications, Automotive, Consumer Goods and Petrochemical.

Tomás Milmo Santos
November 3, 1964 (age 59)

Director and Co-Chair of the Board of Directors of Axtel since February 2016, prior to the merger between Axtel and Alestra, he was a Director of Axtel since 1994 **(29 years)**.

He was CEO of Axtel from 1994 to February 2016, has been a Director since 1994 and was Chair of the Board of Directors from 2003 to February 2016, and was a Director of CEMEX from 2006 to 2022. He is a member of the Board of Directors of ITESM and of Promotora Ambiental. He is also Chair of the Board of Tec Salud.

He holds a bachelor's degree in Business Economics from Stanford University.

Telecommunications Industry (ICT):

CEO of Axtel from 1994 to February 2016.

Functions: Entrepreneurship, Business Management and Administration.

Industry Experience: Telecommunications and Energy.



BUSINESS
STRUCTUREFINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE
 Proprietary Directors

Eduardo Alberto Escalante Castillo
 March 27, 1958 (age 65)

Director of Axtel since February 2019
(5 years).

CFO of ALFA since 2018 and CEO of Axtel from January 2021 to April 2022. He was President of the National Association of the Chemical Industry (ANIQ) in Mexico.

He holds a master's degree in Electronics and Communications from ITESM and a master's degree from Stanford University.

Telecommunications Industry (ICT):

CEO of Axtel from January 2021 to April 2022.

Functions: Finance and Strategic Planning.

Industry Experience: Telecommunications, Petrochemical, Food and Steel.

Armando Garza Sada
 June 29, 1957 (age 66)

Director of Axtel since February 2016
(8 years).

Chair of the Board of Directors of ALFA and Alpek, as well as Co-Chair of Nemark and Controladora Axtel. Member of the Boards of BBVA Mexico, CEMEX, Lamosa and Liverpool.

Graduated of the Massachusetts Institute of Technology, he holds a master's degree in Management from Stanford University.

Functions: Strategic Planning, Finance and Operations.

Industry Experience: Industrial, Consumer Goods, Petrochemical, Automotive, Construction, Telecommunications.

Patricio Jiménez Barrera
 October 29, 1965 (age 58)

Director of Axtel since February 2018, prior to the merger between Axtel and Alestra, he was Director of Axtel from 2005 to 2016 **(16 years).**

President of Abstrix. Member of the Board of Directors of Grupo Tredec and Jumbocel.

He is a Public Accountant from ITESM.

Telecommunications Industry (ICT):

CFO of Axtel from 1998 to February 2009.

Functions: Finance, Investment Banking, Administration, Human Resources and Treasury.

Industry Experience: Telecommunications, Banking and Brokerage.

○ Independent Proprietary Directors

Alejandro Miguel Elizondo Barragán October 14, 1953 (age 70)

Director of Axtel since February 2016
(8 years).

He is a member of the Board of Directors of Arca Continental, Grupo Stiva and the Steel Museum.

He holds a degree in Mechanical and Electrical Engineering from ITESM, with a master's degree in Administration from Harvard University.

Functions: Planning, Finance, Business Development and Administration.

Industry Experience: Steel, Petrochemical, Food and Beverage.

Juan Ignacio Garza Herrera November 26, 1966 (age 57)

Director of Axtel since February 2016
(8 years).

CEO of Xignux. He was President of COMCE Noreste and has participated as a Board Member of Xignux, the Mexican Council of Businessmen (CMHN), BBVA Mexico (Northeast Region), UDEM, ICONN, Cleber and the Instituto Nuevo Amanecer, A.B.P. He was President of Nuevo Leon's Transformation Industry Chamber.

He holds a degree in Mechanical Engineering from ITESM, with a master's degree in Administration from the University of San Francisco.

Functions: Manufacturing, International Trade and Human Capital.

Expertise in Industries: Electrical and Food.

Fernando Ángel González Olivieri October 2, 1954 (age 69)

Director of Axtel since February 2016, prior to the merger between Axtel and Alestra, he was Director of Axtel since 2010
(14 years).

CEO of CEMEX. Member of the Boards of Directors of Grupo Cementos de Chihuahua and Universidad Tec Milenio.

He has a bachelor's degree and a postgraduate degree in Administration from ITESM.

Functions: Business Management, Strategic Planning, Business Development, Climate Change/Sustainability and Digital Transformation.

Expertise in Industries: Steel and Heavy Building Materials.

**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE



Enrique Meyer Guzmán
January 7, 1960 (age 64)

Director of Axtel since February 2016
(8 years).

Chair of the Board and CEO of Grupo CEMIX. He is a member of the Board of Directors of UDEM, BBVA Mexico, Banamex, Silica Desarrollo, S.A. (Arboleda), Fondo Emblem and Beliveo.

He holds a degree in Industrial and Systems Engineering from ITESM, and a master's degree in Administration from Stanford University.

Functions: Entrepreneurship, Business Management and Administration.

Industry: Industrial, Construction and Real Estate.

Ricardo Saldívar Escajadillo
20 de noviembre de 1952 (71 años)

Director of Axtel since February 2016
(8 years).

Private investor. Member of the Boards of Directors of FEMSA and Grupo Industrial Saltillo, and current Chair of the Board of Directors of Tecnológico de Monterrey. He was President and CEO of The Home Depot Mexico, a position he held for eighteen years until June 2017 when he retired. Previously, he worked in various companies of Grupo ALFA for about 21 years.

He is a Mechanical Engineer Administrator from ITESM, with a Master of Science in Systems Engineering from Georgia Tech and a diploma in Senior Management from IPADE.

Telecommunications Industry (ICT): CFO of Alestra from 1996 to January 1999.

Functions: General Management.

Industry Experience: Retail and Telecommunications.

BUSINESS
STRUCTUREFINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE

Substitute Directors

Alberto Santos Boesch
August 26, 1971 (age 52)

Director of Axtel since February 2016, prior to the merger between Axtel and Alestra, he was Director of Axtel since 2013 **(10 years)**.

President and CEO of Ingenios Santos. He is a member of the Board of Directors of Gruma, BBVA Mexico, Interpuerto Monterrey, ITESM Development Committee, Instituto Nuevo Amanecer, Renace, Filantropía de Egresados y Amigos del Tec, Committee of the Advisory Council of the Faculty of Political Science and Public Administration of the UANL, Unidos por el Arte contra el Cáncer Infantil (UNAC) and Board of Trustees of the Metropolitan Hospital.

He has a degree in International Studies from UDEM.

Functions: Business Management and Philanthropy.

Industry Experience: Airport, Food and Entertainment.

José Antonio González Flores
May 5, 1970 (age 53)

Alternate director of Axtel since February 2016.

Executive Vice President of Strategic Planning and Business Development at CEMEX.

He holds a degree in Industrial and Systems Engineering from ITESM, and a master's degree in Administration from Stanford University.

Functions: Finance and Strategic Planning

Industry Experience: Heavy Building Materials.

Management team

Our management team is conformed by professionals with experience in the Information and Communication Technology sector. The Executive Directors who lead the areas report directly to the CEO.



Armando de la Peña
57 years old
Chief Executive Officer

Armando de la Peña was appointed CEO of Axtel in April 2022. Prior to his current position, he served as Director of Sigma Foodservice. He has more than 32 years of experience, 20 of them holding administrative positions within ALFA, and in the subsidiaries Sigma and Terza. He was Director of Latin America and Director of Talent and Culture for Sigma, in addition to having been Director of Human Capital at ALFA and CEO at Terza. He holds a degree in Industrial and Systems Engineering from Tecnológico de Monterrey (ITESM) and has Executive programs at Stanford University, Wharton, Harvard and IPADE, among others. He is a member of the American Appraisal Society.



Adrián De Los Santos Escobedo
55 years old
Chief Financial Officer

He served as Axtel's Director of Corporate Finance and Investor Relations until February 15, 2017. Prior to joining Axtel in April 2006, he worked at Operadora de Bolsa y Banca Serfin (now Santander Mexico) and Standard Chartered Bank, where he held positions in Institutional and Corporate Banking in the cities of Monterrey, London and New York. He holds a bachelor's degree in Administration from ITESM, with a master's degree in Finance from Boston College's Carroll School of Management.



Alicia de la Concepción Saucedo Gutiérrez
50 years
Executive Director of Business Development

Alicia joined Alestra in 1999. With more than 25 years of experience in the company, she has held various positions in areas such as: Offers, Go to Market IT, among others. In 2021 she took over the Design Management of Telecom Solutions, laying the foundations of the strategy of specialization in Business Lines. Currently, as head of the Commercial Development Department at Axtel, she oversees the company's marketing strategy. She has a degree in Marketing from ITESM, with Diplomas in Telecommunications from the same institution and Diplomas in Business Strategies and Finance from ITAM.

Presentados en orden alfabético.

**BUSINESS
STRUCTURE**
FINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE

Andrés Eduardo Cordovez Ferretto
55 years old
Executive Director of Infrastructure and Operations

He served as Axtel's Chief Technology and Operations Officer from October 2013 to January 2016. Prior to that position, he was the Director of Information and Process Technology. In his 27 years of professional experience, he has held various executive positions in various national and multinational telecommunications, financial and service companies, being responsible for distinct functions, such as technology, innovation, operations, customer service and sales. He holds a degree in Computer Systems Engineering from ITESM and a diploma in Senior Management from IPADE. He has executive development courses at Wharton University, Stanford University and London Business School.



Bernardo García Reynoso
65 years old
Executive Director of Planning and Development

He joined Alfa in 1985 and joined Alestra since its foundation in 1996, holding various positions in the areas of Sales, Marketing, Strategic Alliances, Administration and Human Resources. He was CFO of Alestra during the 7 years prior to the merger, becoming Executive Director of Planning and Development of Axtel in 2016. He holds a degree in Industrial and Systems Engineering from ITESM, a master's degree in international Trade from the University of Monterrey and a master's degree in Administration from the International Institute for Management Development (IMD) in Lausanne, Switzerland.



Carlos Guillermo Buchanan Ortega
64 years old
Executive Director of Human Capital

He served as Managing Partner of B&S Consultores and was Director of Human Resources at Alestra. He has held the position of Human Resources Manager at Telefónica Movistar, Commercial Banking at Grupo Financiero Bancomer, Bimbo, Black & Decker and Prolec G.E. He was Executive President of ERIAC Capital Humano and is a member of the board. He is a Curricular Counselor at UDEM, Employability Counselor at Tec Milenio, Counselor of Movimiento Congruencia A.C., Member of the Study Group and Guest Monitor for IPADE's D1, D2 and Medex programs. He has experience as a speaker and professor at UDEM, ITESM and ITESO. He holds a bachelor's degree in Psychology with a master's degree in Organizational Development and Administration from UDEM, as well as postgraduate degrees from IPADE and Kellogg University.

**BUSINESS
STRUCTURE**
FINANCIAL
PERSPECTIVENETWORK
RELIABILITYCUSTOMER
EXPERIENCE
Raúl Ortega Ibarra

67 years old

**Executive Director of Legal and
Regulatory**

He served as Director of Government and Legal Relations at Alestra, since 1996, where he was also director of the International Business and Communications Unit between 2001 and 2007. Previously, he was Director of Regulatory Affairs for AT&T Corp. in Mexico and previously headed and founded the representative office of Mexican business organizations in Washington, D.C. Graduated from Universidad Iberoamericana, with executive studies in Political Economy and Management from Stanford University.


Sergio Antonio Bravo García

58 years old

**Executive Director of the Government
Sector**

He joined Alestra in 1996, where for more than 25 years, he has held different executive positions in areas such as: Corporate Sales, Finance and Marketing. From 2020 to April 28, 2022, he served as Director of Government Customer Service, where he now assumes the Executive Direction. He holds a degree in Computer Systems Engineering from ITESM and a master's degree in Administration from the same institution. He completed several executive programs at Stanford, Wharton, Chicago and London Business School.

**BUSINESS
STRUCTURE**

FINANCIAL
PERSPECTIVE

NETWORK
RELIABILITY

CUSTOMER
EXPERIENCE

Operational structure

GRI 2-2

Subsidiary	Percentage of tenure
Axtel, S.A.B. de C.V. (Parent Company) ⁽²⁾⁽⁶⁾	-
Alestra Innovación Digital, S. de R.L. de C.V. ⁽²⁾⁽⁶⁾	-
Alestra USA, Inc ⁽¹⁾	100%
S&C Constructores de Sistemas, S.A. de C.V. (“S&C”)	100%
Estrategias en Tecnología Corporativa, S.A. de C.V. (“Estratel”) ⁽²⁾⁽⁶⁾	-
Servicios Alestra TI, S.A. de C.V. ⁽²⁾	100%
Alestra Procesamiento de Pagos, S.A. de C.V. ⁽²⁾⁽³⁾	100%
Alestra Servicios Móviles, S.A. de C.V. ⁽²⁾	100%
Fomento de Educación Tecnológica, S.C. ⁽⁴⁾	100%
Axtel Networks, S.A. de C.V.	100%
AXE Redes e Infraestructura, S. A. de C. V.	100%
Allied Inmuebles, S.A. de C.V. ⁽⁵⁾⁽⁶⁾	-

1 Leasing of telecommunications equipment and infrastructure.

2 Telecommunications service provider.

3 At the Extraordinary General Meeting held on December 1, 2021, the shareholders agreed to carry out the merger of Servicios Axtel, S. A. de C.V., Axes Data, S. A. de C. V., Contacto IP, S. A. de C. V., Instalaciones y Contrataciones, S. A. de C. V., and Ingeniería de Soluciones Alestra, S. A. de C. V. (as merged companies) with Alestra Procesamiento de Pagos, S.A. de C.V. (as merging company); such merger has no impact on the Company’s consolidated operations.

4 Training and development services.

5 Real Estate management. Acquired in March 2022.

6 At the Extraordinary General Meeting of shareholders held on March 7, 2023, the merger by incorporation of Alestra Innovación Digital, S. de R.L. de C.V., Estrategias en Tecnología Corporativa, S.A. de C.V. and Allied Inmuebles, S.A. de C.V. (merged companies) into Axtel S.A.B. de C.V. was approved, which subsisted under the same corporate name as a merging company and took charge of the rights and obligations of the merged companies. In addition, it was resolved that the merger will take full effect between parties and third parties as of April 1, 2023; this merger has no impact on the Company’s consolidated operations.



Note. In Axtel’s 2023 Integrated Annual Report, we include information on the performance of these companies, which are the same as those we report in our financial report.



Shareholders

Axtel is a public corporation whose shares are registered in the National Securities Registry and are listed on the Mexican Stock Exchange, S.A.B. de C.V. (Stock Exchange) through Ordinary Participation Certificates (CPOs) issued under the Trust whose trustee is Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo.

As of May 29, 2023, the Company is a subsidiary of Controladora Axtel, S.A.B. de C.V. (Controladora Axtel) since the conditions precedent defined at the Shareholders' Meeting of Alfa S.A.B. de C.V. (ALFA) on July 12, 2022, were met on that date.

**CONTROLADORA AXTEL,
EXERCISES CONTROL
AND OWNS 53.9% OF THE
SHARES REPRESENTING THE
COMPANY'S SHARE CAPITAL.**



Axtel's founding members hold no more than 5% of the company's voting rights, and no government institution owns voting rights in the company. We do not have requirements for the CEO or other members of the Board of Directors to own shares.

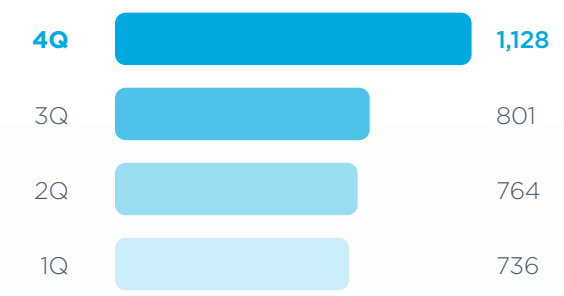
Financial perspective

To ensure the sustainability and continued growth of our business, and to provide exceptional value to our customers, **we are committed to addressing market demands with innovative solutions.** Our management is focused on maintaining integrity and transparency, especially in financial matters, aligning with the principles of responsibility in ESG matters. Our strategic approach not only seeks commercial success, but also the benefit and wellbeing of the community and the environment.

Axtel, as an entity that is listed on the Mexican Stock Exchange and operating as a public company, is required to comply with various regulations when submitting its financial reports. This includes adhering to relevant tax regulations.

Here is the most relevant financial information of Axtel for the year 2023.

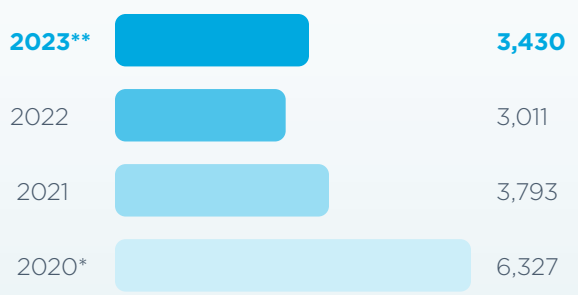
FLOW PER QUARTER 2023
(MILLION PESOS)



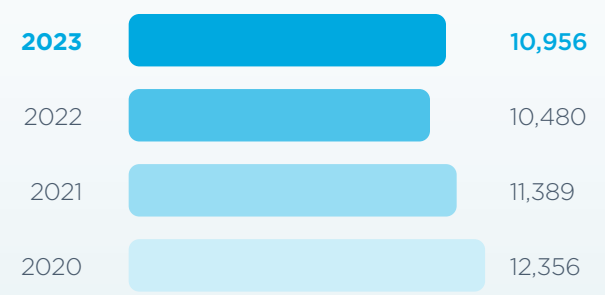
SALES BY QUARTER 2023
(MILLION PESOS)



FLOW PER YEAR
(MILLION PESOS)



SALES PER YEAR
(MILLION PESOS)



* Includes Ps. 2,021 million in benefit from data center divestment.

** Excludes Ps. 388 million of expenses related to organizational efficiencies.





Relevant figures (million pesos)

Axtel y subsidiarias	2023	2022	% Var
Resultados			
Net Income	10,956	10,480	5%
Operating Income	576	174	231%
(Loss) Net Income	314	-39	-
Loss per share ¹	0.016	-0.002	-
Operation Flow	3,430	3,011	14%
Balance			
Total Assets	16,709	18,351	-9%
Total Liabilities	13,592	15,501	-12%
Total Stakeholder's Equity	3,117	2,850	9%
Book Value Per Share ¹	0.16	0.14	9%

¹ Axtel CPO is equivalent to 7 shares.

Relevant figures (million pesos)

Year	Flow	Sales	Total Assets
2020 ²	6,327	12,356	23,704
2021	3,793	11,389	19,974
2022	3,011	10,480	18,351
2023 ³	3,430	10,956	16,709

² Flow includes Ps. 2,021 million of profit from data center divestments.

³ Flow excludes Ps. 388 million of expenses related to organizational efficiencies.

Note. Number of shares (in millions) 19,810 and number of CPOs EQ 2,830.



Fiscal policy

GRI 207-1, 207-2, 207-3, 207-4

Axtel's tax policy establishes the basic principles for the company's planning, operation, and tax regulation. This is achieved by strictly adhering to current tax regulations.

Our tax practice is based on having a rapid adoption of tax policies and regulations, conducting periodic evaluations, as well as implementing preventive or corrective measures for the sound operation in tax matters. The tax risks to which the organization may be exposed are identified and evaluated to respond to any impact.

To report concerns about unethical behavior related to Axtel's tax integrity, we make the Transparency Mailbox available to our stakeholders, in addition to internal audit reviews.



Responsible for compliance with the tax strategy

Direction of Finance and Direction of Comptroller



Integration of the tax approach into Axtel's strategy

The integration of the tax approach must be aligned with the organization's strategic plan. According to the vision and actions required to carry out this plan, the potential impacts on fiscal issues are considered in order to establish actions that contribute to meeting the objectives.



Tax risk approach

The risk approach considers internal factors (such as capital structure, monetary management, among others) and external factors (such as changes in tax legislation or changes in the economy).

The assessment of tax risks is included in the company's strategic risk assessment, which is carried out on an annual basis.



Assessment of compliance with the tax control and governance framework

Through internal and external audits, compliance with the control framework is evaluated and tax governance is validated by Senior Administration.

In addition, a tax opinion is issued annually and submitted to the corresponding authority.



Relevant figures on tax matters

Revenue from sales to third parties	Ps. 10,955,886,112
Income from inter-group transactions with other tax authorities	-
Profit before tax	Ps. 253,262,000
Income taxes	SIFA taxes Ps. 61,043,490, includes deferred tax benefit
Other tangible assets other than cash and cash equivalents	Ps. 8,253,617,602
Corporate income tax paid in cash	-
Corporate income tax accrued on profit / loss	Ps. 151,108

Reasons for the difference between the income tax accrued on the gain / loss and the tax accrued if the statutory tax rate is applied to the profit / loss before tax

Mainly because of inflation, differences between accounting and tax depreciation rates, as well as other items due to the different accounting-tax treatment.



Network reliability

Business continuity

GRI 3-3

SASB TC-SI-550a.1, TC-SI-550a.2, TC-TL-550a.1, TC-TL-550a.2, TC-TL-520a.3

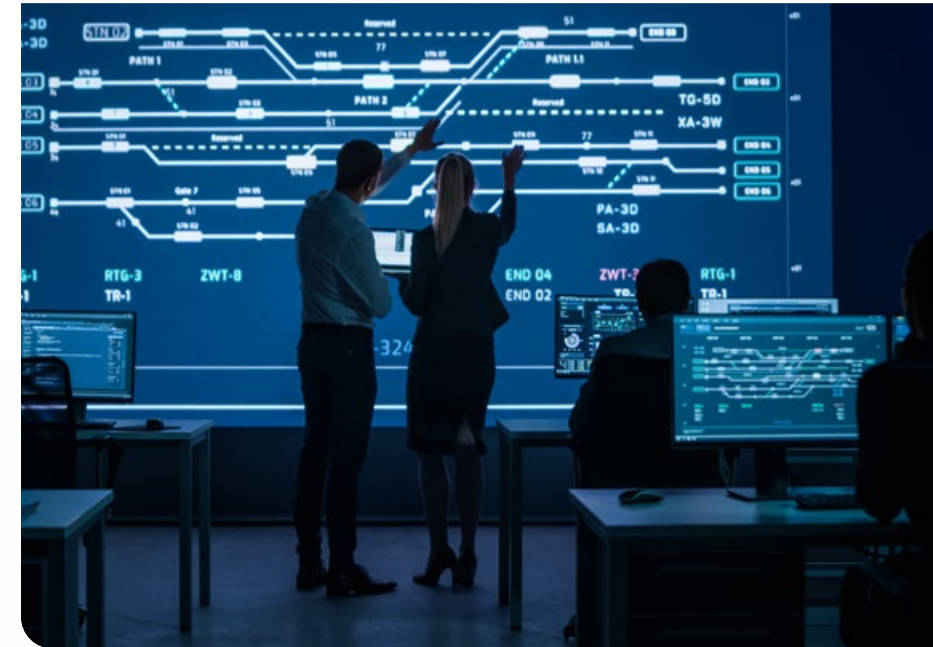
We are aware of the various risks that can be caused by interruptions in the service we provide to our customers, such as weather events, natural disasters, cyberattacks, crime and technical failures, to name a few.

To ensure the reliability of our network, we have a **Business Continuity Management System** certified by ISO 22301 and ISO 31000, in which we manage cyber resilience through risk management, business impact analysis, business continuity management (BCP and DRP), and which considers the necessary procedures to recover the operation at critical times through the use of strategies. Plans and simulations that minimize the risk of impact to our company, operation and customers. We also operate in accordance with other international standards such as ITIL, ISO 9001 and ISO 27001.

In addition, we perform analysis and privilege removal on customer accounts, implement Endpoint Detection and Response (EDR) and reinforce security measures such as default settings and multi-factor authentications.

As part of our understanding of systems and the need to ensure business continuity, this year 25 certifications were achieved for 12 of our employees, in different areas such as Public Cloud, SAP and Artificial Intelligence. This allows us to have a meaningful and comprehensive understanding of the technologies that make up the network and prepare ourselves in agility to solve challenges.

Through a Big Data and machine learning platform that captures all the data generated by the different network platforms; rules are **created to correlate variables that warn us of changes in trends that may lead to failure.**



Despite our efforts to avoid service interruptions, this year we recorded four IT service interruptions, two related to cybersecurity and two due to technical failures, with an average duration of 6.5 hours, with which the total time of impact based on the customer's installed base was 1 day, which represents 0.26% of annual availability. This implied a 43% decrease in the number of incidents compared to 2022 and a decrease in total downtime of 10%, also compared to the previous year.

THE CREATION OF OUR
TIMOB SYSTEM HAS
ALLOWED US TO REDUCE
ATTENTION TIMES, AS
WELL AS INCREASE
OBSERVABILITY IN THE
DETECTION OF OUR
CUSTOMERS' PROBLEMS.



In this sense, during August we launched our **TIMOB** system, developed in the IT Services Management Center (CASTI, by its acronym in Spanish), which allows us to automatically integrate IT Monitoring systems into a centralized and correlated platform that does not depend on humans, that is, monitoring is 100% automated.

TIMOB has a mobile version for IOS and Android, also developed at CASTI, with which the monitoring and traceability of all incidents, as well as the launch of remediation actions is possible from anywhere.



Some benefits of TIMOB



Unified event dashboard.



75%
monthly reduction of events,
in a Universe of 110K events.



Identification of behavior
patterns in real time.



Proactivity hit rate of
98%



Monthly reduction of
864
horas (4.5 FTEs).



Increased observability by
95%
for 20K+ items from +500 clients.



+2,500
monthly incidents recorded,
attended and escalated.



Customer experience

GRI 2-6

Commitment to customer service

TO DIFFERENTIATE OURSELVES
IN THE MARKET, WE DEVELOP
TECHNOLOGY TO MAKE
RESPONSE TIMES EFFICIENT
AND IMPROVE THE EXPERIENCE
OF OUR INTERNAL AND
EXTERNAL CUSTOMERS.



Customer satisfaction

To serve all our customers and ensure the best service, we offer them **Alestra One Touch**, a self-service portal, available online 24 hours a day, 7 days a week, so that they can make technical or administrative requests and know their status, as well as information on account statements, invoices, payment add-ons, active services and orders in progress.

Alestra One Touch offer

- High-quality and reliable technical support to ensure that our customers' overdue issues are resolved quickly and effectively.
- Administrative requirements with which you can create requests from the principals in an effortless way.
- Alebot, our artificial intelligence tool that helps get quick answers to questions and resolve incidents efficiently.



ALESTRA
ONE TOUCH

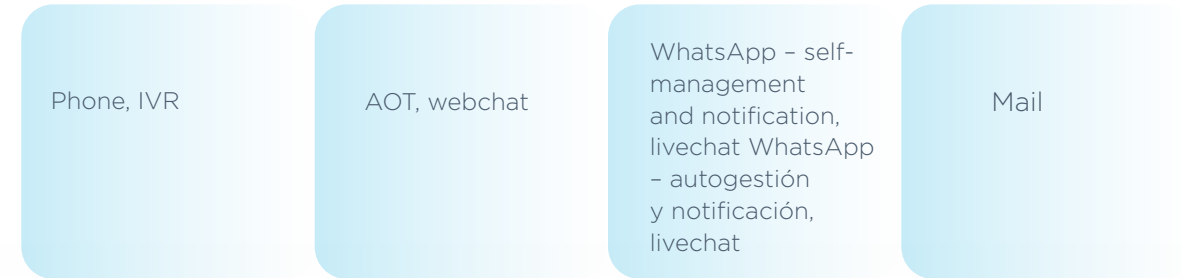
CURRENTLY, MORE THAN 7,000 CUSTOMERS ARE REGISTERED AND INTERACT WITH ALESTRA ONE TOUCH.

During the year we implemented new initiatives:

1. New bandwidth section that allows the customer to change bandwidth on dedicated internet services and VPNs.
2. Alebot that evolved into a management bot for AOT and WhatsApp.



Active channels



Achievements 2023

- Transaction surveys in the IVR (Interactive Voice Response).
- International 800s numbers for MS approved in English.
- Delinquent customers receive a debit message and are advised to contact collections.
- Launch for high, bandwidth change.
- The “help” Alebot evolved into a “management” bot for AOT and WhatsApp.
- Alebot F3: self-management, 15 developments to take and assign requirements.
- Notifications: massive and reactive events, including requirements and maintenance windows. Alarms and query of energy events.
- We migrated the Premier email to InConcert to have control of the request for facts through this channel.



Customer behavior analysis

As every year, **we measure our customers' expectations by segment and their level of satisfaction** based on Net Promoter Score (NPS) surveys.

We divide our clients into categories, which in turn are made up of internally assigned categories based on several factors, one of which is their monthly turnover and their growth potential in the medium and long term.

TO GIVE RELIABILITY TO THE RESULTS, THE OFFICIAL MEASUREMENT OF NPS IS DONE THROUGH A CERTIFIED EXTERNAL MARKET RESEARCH AGENCY.



NPS results 2023

51

Alestra

90

Axtel Networks

77

Federal Government Market

86

State Government Market

Certifications

As service providers in an ever-evolving industry, we must rise to today's challenges, which is why we have various expert certifications, and be part of the most comprehensive network of global technology partners on the market. This gives us the strength to offer a broad portfolio of complete and innovative technology solutions.

We have **technical certifications** from Amazon, Assure, ISC, ISO, Oracle, Cisco, Palo Alto, Checkpoint, Fortinet, and Avaya, among others.

Management systems

- ISO 20000-1:2018
- ISO 22301:2019
- ISO 27001:2022
- ISO 31000:2018
- ISO 37001:2016
- ISO 9001:2015

Best practices

- FIRST
- PCI DSS
- SSAE-18
- CEEDA - Bronze
- ICREA - Nivel 3,4 y 5

Partner certifications

- Audio Codes Gold Partner
- Avaya Diamond Partner
- AWS, Advance Consulting Partner
- AWS, EC2 for Windows
- AWS, Public Sector
- AWS, SAP Services Competency
- AWS, Select Direct Connect Service
- AWS, Solution Provider
- Check Point, (CCSP) Support Provider
- Check Point, CloudGuard Partner
- Check Point, Harmony Partner
- Check Point, SMB-Small and Medium Business Partner
- Check Point, Four Stars Partner
- CISCO Gold Integrator
- CISCO Gold Provider
- CISCO, Advanced Collaboration Architecture Specialization
- CISCO, Advanced Enterprise Networks Architecture Specialization
- CISCO, Advanced Security Architecture Specialization
- CISCO, Hyperflex Specialization
- Dell Technologies, Platinum Partner
- Equinix, Platinum Partner
- Forescout, Nivel GOLD Partner
- Fortinet, MSSP Expert Partner
- HPE Silver Service Provider
- Huawei, Enterprise Partner VAP
- IBM Partner Plus, SILVER
- Microsoft, Gold Cloud Platform
- Microsoft, Gold Cloud Productivity
- Microsoft, Gold Partner
- Microsoft, Hosting Partner
- Nutanix, Champion Reseller
- Oracle, OPN Member, Tracks de License & Hardware y Cloud Sell
- Palo Alto Networks, MSSP Platinum Innovator Partner
- Partner Connect Advanced /Cloud con AWS Solution Competency
- Poly, Platinum Partner
- SAP MCaaS Partner
- Symantec, Premier Partner
- Veeam Pro Partner Silver Reseller
- Veritas Gold Partner
- Huawei Four Stars Partner
- Huawei Value Added Partner
- Vmware Cloud Verified
- Zoom Performance Partner



- ETHICAL OPERATION
- ACHIEVEMENTS IN INNOVATION
- WORK ENVIRONMENT
- NATURE AND CLIMATE
- SUSTAINABLE PARTNERS
- SOCIAL INCLUSION

05

Axtel excellence

WE DEVELOP INNOVATIVE SOLUTIONS FOR OUR CUSTOMERS WHILE EVOLVING OUR INTERNAL PROCESSES TO MAKE THEM MORE EFFICIENT.



ETHICAL
OPERATIONACHIEVEMENTS IN
INNOVATIONWORK
ENVIRONMENTNATURE AND
CLIMATESUSTAINABLE
PARTNERSSOCIAL
INCLUSION

Ethical operation

Business ethics

GRI 2-23, 2-24

Acting ethically, with integrity and respect for the law is critical to achieving success in our operations. These principles ensure value creation and excellent business practices.

We have learned to obtain financial achievements through ethical conduct, considering the needs of our stakeholders, as well as the environmental and social environment where we operate, so we seek to:

- **Incentivizing integrity in business**
- **Caring for the privacy of information**
- **Taking care of the health and safety of our employees**
- **Respect Human Rights**
- **Promote the development of our suppliers.**
- **Respetar las leyes de impuestos y contribuir a la educación y economía**

To achieve this, we focus on particular areas or topics throughout our operations.

1. Ethical business
2. Information security
3. Health and safety of our employees
4. Development of our suppliers



ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION

As part of our ethical commitment, we provide ongoing training to ensure adherence and understanding of laws, policies and internal programs to employees and suppliers in several matters.



Code of Ethics



Anti-bribery



Information privacy



Cybersecurity



Industrial health & hygiene



Conflict of interest management



Anti-money laundering



Ethics and integrity



ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION

Ethical business

GRI 2-15, 2-16, 2-25, 2-26, 205-1, 205-2, 205-3, 206-1, 406-1, 410-1, 417-3
SASB TC-SI-520a.1, TC-TL-520a.1

Axtel’s culture of integrity is defined in our **Code of Ethics**¹, which was authorized by our Executive Committee, which contains the principles to generate respectful, non-discriminatory, equitable, inclusive and open to dialogue work environments, and which establishes the behaviors expected of our employees in matters such as anti-corruption, bribery, conflicts of interest, etc. money laundering, sale and insider trading, political contributions, human rights, workplace harassment, safety and hygiene, confidentiality of information, marketing, communication, environmental protection, and community engagement, among others.



At the time of hiring, all our employees receive a copy of the Code of Ethics that they must sign, confirming their adherence and understanding. In addition, each year through our Institutional Training program we implement online refresher courses on ethics and integrity. During this year, 3,888 employees took it, while the Code of Ethics training was taken by 3,905 employees, covering 98% and 99% of the total employees, respectively.

On the other hand, we have a **Supplier Code of Conduct**² applicable to anyone who provides professional services to Axtel. This document defines the principles and guidelines to promote the experience of our culture of business ethics, seeking to promote integrity, transparency in processes and respecting Mexican regulations throughout the value chain.

Our suppliers have communication channels available through which they can share any concerns about the business relationship with Axtel, as well as suggestions or ideas for improvement.



AXTEL’S CODE OF ETHICS IS APPLICABLE TO ALL OUR EMPLOYEES, MANAGERS AND DIRECTORS.



¹ Consult our Code of Ethics at: <https://www.axtelcorp.mx/codigo-de-etica/>

² Consult our Supplier Code of Conduct at: axtelcorp.mx/sites/axtelcpo.mx/files/Codigo-de-Etica-Proveedores-Axtel-Digital-Nuevo.pdf



ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION



We ensure that our suppliers understand the obligations and behaviors expected during the business relationship, so **at the beginning of the business relationship we require a signed acceptance and commitment to the Supplier Code of Conduct.**

In case of doubts or disagreements, the Compliance Department is responsible for attending to the supplier and reviewing the viability of their suggestions.

In addition to the Code of Ethics, we promote that respect for human rights prevails in our operations, supported by our **Human Rights Policy³**, which is based on the Universal Declaration of Human Rights and the Recommendations of the International Labor Organization (ILO). The Human Capital department is responsible for guaranteeing and monitoring compliance and respect for them.

THE HUMAN RIGHTS POLICY IS APPLICABLE TO ALL OUR EMPLOYEES, CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND OTHER STAKEHOLDERS.



Our Human Rights Policy considers issues such as forced labor, child labor, human trafficking, freedom of association, the right to collective bargaining, and discrimination.



To raise awareness among Axtel's security staff about how human rights are linked to their daily activities, this year we gave a course to 100% of the people in this group, while 3,884 employees revalidated the Human Rights course of our Institutional Training program.

Our policy and trainings are part of Axtel's human rights due diligence process.

We are committed to an operation of integrity and honesty, free of corruption. In this sense, during the year we provide training to 100% of our employees on **Axtel's Anti-Corruption Policy⁴** through our integrity course.



³ Consult our Human Rights Policy: https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_de_Derechos_Humanos_2022.pdf

⁴ Consult our Anti-Corruption Policy: https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_Anticorrupcion_2022.pdf



ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION

100% of our active suppliers have 24x7 communication channels through which you can communicate any concerns or doubts regarding corruption and bribery issues. In addition, during 2021 we carried out an exercise where suppliers adherence to our Supplier Code of Conduct and our Anti-Corruption Policy was reconfirmed

✦ OUR MANAGEMENT TEAM WAS TRAINED ON AXTEL'S ANTI-CORRUPTION POLICIES AND PROCEDURES.

On the other hand, as part of our Anti-Bribery Management System under the ISO 37001:2016 standard, for the bidding processes in which business partners participate, we send them the Anti-Corruption Policy, the Code of Ethics and an anti-corruption commitment letter, in accordance with the due diligence required by the standard. In this regard, this year we communicated this information to four business partners and with 100% we carried out due diligence checks.

The Anti-Bribery Management System includes the assessment of risks related to corruption in our nine work⁵ centers, in which we carry out our operations.

⁵ The nine work centers represent 100% of Axtel's operations.

Additionally, Axtel is registered in the Business Integrity Registry of the Ministry of Public Function, whose purpose is to link the business sector that has high ethical standards and compliance with laws.

DURING 2023 WE RENEWED OUR ISO 37001:2016 CERTIFICATION ON OUR ANTI-BRIBERY MANAGEMENT SYSTEM, WHICH HAS BEEN IMPLEMENTED SINCE 2020.



ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION



We have the Manifest Letter of Conflict and Confidentiality of Information, where our employees reaffirm their acceptance and adherence to the values, principles and provisions of Axtel in ethical, labor, conflict of interest, corporate security and privacy matters. This year our entire staff signed this letter.

We have adopted the **Code of Principles and Best Practices of Corporate Governance** through which we seek to avoid possible conflicts of interest that may arise in relation to the commercial practices we conduct at Axtel. These activities range from the proper segregation of roles and responsibilities, the application of the Code of Ethics, implementation of policies, audit reviews, training on related issues, to complaint mechanisms through the Transparency Mailbox.

On the other hand, within the ISO 37001:2016 certification, issues related to conflict of interest in operations with the public sector, both with business partners and suppliers, as well as with employees, are also considered and prevented.



To ensure that there are no risks related to forced or child labor and that the necessary safety measures are taken to prevent accidents both in our operations and in the activities of our suppliers and contractors, we have a permanent inspection program in which Axtel personnel validate that they comply with these measures.

We have the **ALFA Transparency Mailbox**, in which you can report any conduct contrary to our policies, as well as any third party can express doubts or concerns related to ethical, legal, integrity or any other type of issues.

All reports are treated confidentially and can be anonymous. Being operated by ALFA, we ensure that such complaints are dealt with objectively and impartially.

The Transparency Mailbox is available 24 hours a day, 365 days a year through different channels and languages.



ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION

Reporting channels ALFA Transparency Mailbox



Email:

buzon@alfa.com.mx
transparenciaaxtel@axtel.com.mx



Whatsapp/SMS:

+52 1 81 2353 9853



Toll-free hotlines:

800 265 2532 (Mexico)
1 866 482 1957 (United States)
1 866 238 2860 (Canada)



Website:

www.alfa.com.mx/buzon.html



Human Resources:

Direct or Email approach

Complaints managing process

1. The complaint is received in the ALFA Transparency Mailbox.
2. It is channeled to the corresponding areas according to the type of complaint.
3. Relevant investigations are being carried out.
4. The resolution is determined to, where appropriate, impose the applicable sanction.

Through this mechanism, anyone can clarify doubts related to ethical, legal and integrity conduct of the company.

On the other hand, there is the figure of the **Compliance Officer**, whose role is to monitor and supervise compliance with internal rules.

ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION



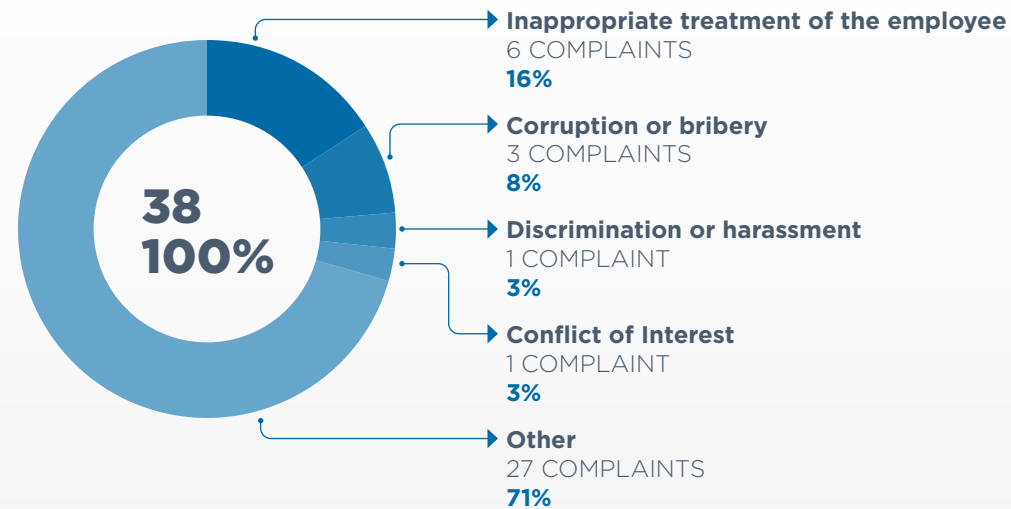
During 2023, the ALFA Transparency Mailbox received 38 complaints related to Axtel, of which 30 were addressed and resolved during the period, while eight are in the process of being closed. Of those allegations, 15 were unfounded.

We registered a confirmed case of corruption due to the improper use of resources, which concluded with the dismissal of the person involved, as well as a case of discrimination that at the close of this report was in the process of being addressed and resolved.

As well, we received one complaint for conflicts of interest⁶, we did not receive any for anti-competitive practices, human rights violations, privacy violations or leakage of customer data.

We did not receive fines, legal action, or monetary losses related to unfair competition practices, or violations of voluntary rules or codes on marketing communications.

Complaints received in the ALFA Transparency Mailbox



⁶ In the event of any conflict of interest, it would be disclosed to Controladora Axtel.





Achievements in innovation

Innovation in information security

GRI 3-3
SASB TC-SI-230a.2, TC-TL-230a.2

At Axtel, it is essential to protect our services, as well as the confidentiality of the information we manage. For this, we have an **Information Security Management System** whose main objective is to maintain the integrity and confidentiality of the information.

We abide by the best information security practices defined in various international standards and best practices such as ISO 27001, ISO 22301, ISO 31000, Service Organization Controls (SOC) for cybersecurity, National Institute of Standards and Technology (NIST), FIRST, PCI-DSS and SSAE-18.

In order to identify the most relevant information security risks that we could face and be ready with timely remediation plans, we carry out internal and external reviews, as well as audits, vulnerability assessments, penetration tests, drills and work meetings with the actors of each business process.

Information security framework and processes

Cybersecurity culture

employee awareness and training

Cyber resilience

risk management and business continuity

Cyber defense

vulnerability, identity and access management, technical compliance

Incident response

Security by design

Reviews

indicator monitoring, audits, certifications, pentest

Continuous improvement



We invested

USD 1.5

millions in cybersecurity during 2023.



This year we made the required changes to ensure that the same equipment and procedures that protect Axtel against cybersecurity threats are the same ones that protect our customers. We also appointed a new Chief Information Security Officer (CISO) and reconfigured internal service, achieving a powerful constructive collaboration.



IN THE SAME WAY THAT WE PROTECT OURSELVES, WE PROTECT OUR CUSTOMERS.



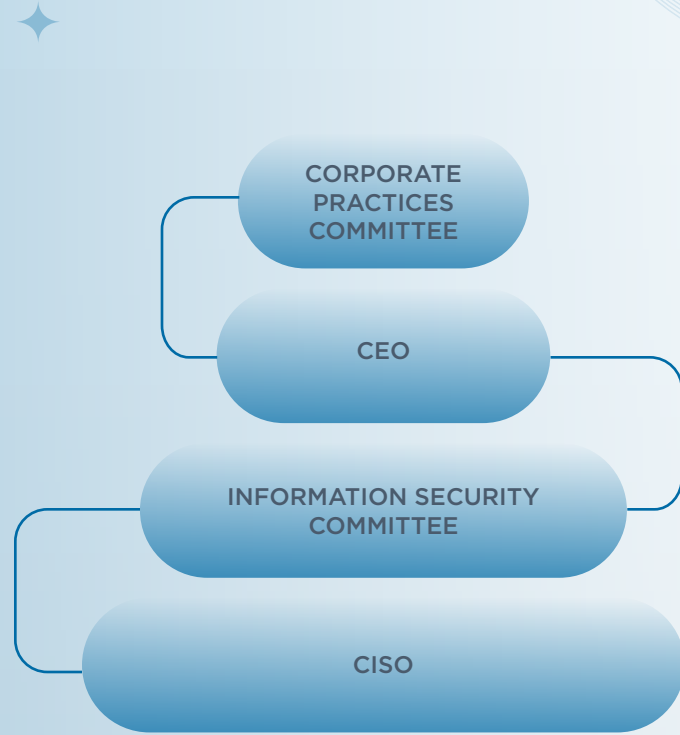
To comprehensively manage the organization's cybersecurity, we have the **Information Security Committee (CSI, by its acronym in Spanish)** that involves the principal areas of the company, which meets every three months. In these meetings, the security, information and cyber defense program is reviewed, as well as the training and training provided to employees in this regard.

Among the responsibilities of the CSI are to ensure adherence to regulations and information security strategies, to provide business knowledge to protect the confidentiality, integrity and availability of the company's critical information, to ensure that work teams are aware of information security threats, consciously manage risks and agree on strategies.



IF THERE ARE CRITICAL CYBERSECURITY ISSUES, THEY ARE ESCALATED TO THE CEO AND MADE VISIBLE TO THE CORPORATE PRACTICES COMMITTEE.





In the interest of always having good practices in an issue that is so critical for our business, IT audits are carried out by a third party. Thanks to the work of the CISO team and the state-of-the-art processes we maintain, we have obtained particularly satisfactory results in the audit, setting an example for the other companies in the Group.



Data privacy

GRI 3-3, 418-1

SASB TC-SI-220a.1, TC-TL-220a.1, TC-SI-220a.2, TC-TL220a.2, TC-SI-220a.3, TC-TL-220a.3, TC-SI-230a.1, TC-TL-230a.1

Technology is at the center of Axtel's operations, we focus on its development and application, which brings with it an increase in regulations associated with the use of data and information, as well as disruptions, opportunities and risks. We are committed to the privacy of our customers and stakeholders in general, going beyond simple legal compliance.

Our security, confidentiality and privacy processes regarding our customers' personal data are based on a robust culture and practices conducted by our employees, which are described in our **Privacy and Personal Data Protection Policy**.

This allows the information to be used responsibly and ethically. Cybersecurity and data privacy are embedded within the business risk management framework.

Within Axtel we have a department responsible for privacy issues and we carry out internal and third-party audits to ensure compliance with our policy. We comply with the provisions of the Federal Law on the Protection of Personal Data Held by Private Parties for our customers, suppliers, employees and visitors.

To ensure the protection of personal data, we provide our staff with courses, internal communication, various advertising and reporting mechanisms in case of suspected vulnerability. In addition, we have technical control in the use of systems and hardware to prevent the loss of information.





In the event that there is any activity that could be considered a privacy incident, we have a crisis response mechanism.

Due to the nature of our business, the personal data we use at Axtel comes from the data subjects directly and/or through physical, electronic or face-to-face means. In the same way, we obtain information from authorized public sources, treating them according to the owner.

⁷ Consult Alestra's Privacy Notice at: <https://www.alestra.mx/aviso-de-privacidad>

⁸ Consult Axtel's Privacy Notice at: <https://www.axtelcorp.mx/aviso-de-privacidad/>

As a result of the above and based on our commitments to the protection of our customers' data privacy, we do not transfer sensitive personal, patrimonial or financial data for secondary purposes, only when the owner fully expresses his or her consent.

To ensure the privacy of this data, we adopt appropriate physical, technical, and organizational security measures, including:

- Data encryption
- Restricted access to data
- Privacy policies
- Vulnerability management

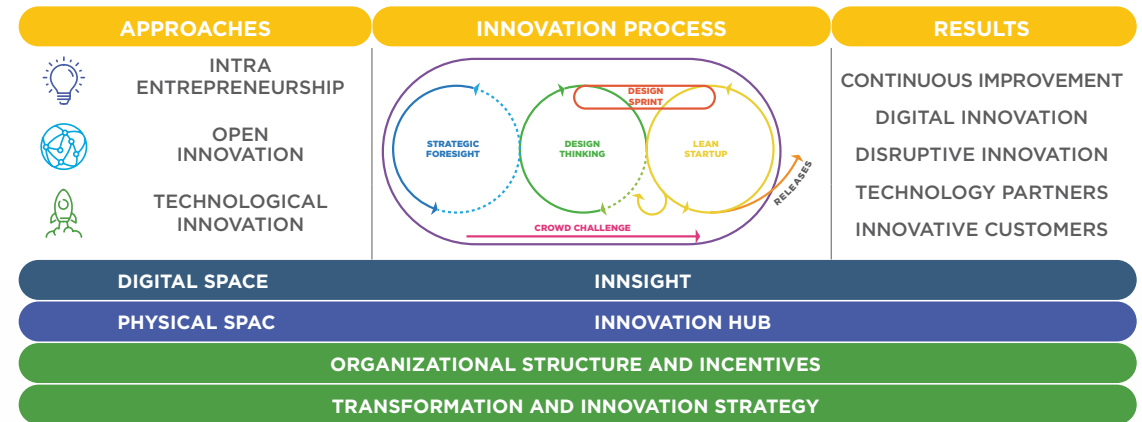
With the same interest, we deal with the exercise of the ARCO rights (access, rectification, cancellation and opposition), which are available to users in the **Privacy Notices** of Alestra⁷ and Axtel⁸.

During 2023, we did not receive complaints about violations of customer privacy, data breaches or data breaches related to personally identifiable information. In the same vein, we also do not record monetary losses as a result of legal proceedings associated with user privacy.

Axtel innovation model

At Axtel we focus on developing innovative services that are accessible to people while meeting their needs and interests **Innovation drives us to evolve our internal processes and make them more efficient.** It is the engine that allows us to generate differentiated solutions for our customers and our stakeholders.

We seek to understand our company's business and the way in which we impact throughout our activities, leveraged by **Axtel's innovation model.**



Innovation initiatives

From this model, initiatives emerge that make it easier for us to put innovation into practice to be applied in solutions and services for our customers, or within the organization.

Insight: digital platform for innovation and continuous improvement, where our employees propose ideas to be evaluated to receive resources that allow them to be implemented.

Results 2023: Insight registered a participation of 206 employees who generated 34 ideas that contributed with Ps. 78.6 million pesos, representing 1% of the COGS.

Innovation Hub: physical space where creativity and ideas are structured to develop solutions. It is located within the Innovation and Technology Campus (CIT, by its acronym in Spanish).

Results 2023: we held a total of 264 sessions, achieving 67% occupancy of the HUB, divided into sessions with Clients and with internal teams.



Work environment

Prioritizing talent retention

GRI 2-7, 2-8, 2-19, 2-20, 2-21, 201-3, 202-1, 202-2, 401-1, 401-2, 401-3, 3-3, 405-1, 405-2
 SASB TC-SI-330a.1, TC-SI-330a.3

We implemented flexible work models that, along with our transition to digitalization, have given the 3,946 people⁹ who make up our workforce the opportunity to balance their professional and personal responsibilities. This approach has been key to elevating their wellbeing and enriching their quality of life.

Employees by type of contract and gender

Type of contract	♀	♂
Permanent contract	993	2,807
Temporary contract	35	111
Total	1,028	2,918

♀ Women ♂ Men

⁹ All Axtel's employees are employees.

¹⁰ Some of our employees are originally from Ecuador, Argentina, Honduras, France, Colombia, Venezuela, Guatemala, Peru, Chile, Guinea.

Employees by type of working day and gender

Full-time		
♀		♂
1,025	3,933	2,908
Part-time		
♀		♂
3	13	10

Employees by origin

National	Foreign ¹⁰
3,926	20

None of the active members of our staff are working outside of Mexico. In addition, in line with our commitments, at Axtel all our staff have their hours guaranteed, so all the people on our staff are in the company's personnel scheme.

Employees by contract type and region

Region	Permanent contract	Temporary contract
South-Central	1,298	39
North	2,193	96
Occident	309	11
Total	3,800	146

Employees by type of workday and region

Region	Full-time	Part-time
South-Central	1,332	5
North	2,281	8
Occident	320	0
Total	3,933	13

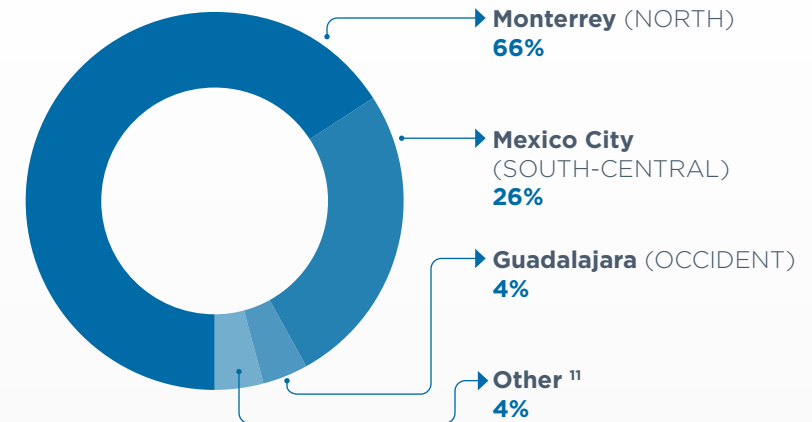
♀ Women ♂ Men

¹¹ Mérida, Cancún, Tijuana and Querétaro, each with 1% representation.

Employees by age and gender

Age	♀	♂	Total
Under 30 years of age	117	245	362
Between 31 and 50 years old	777	2,066	2,843
Over 51 years old	134	607	741

Locally hired executives



We consider staff from management positions or above as part of the executive staff.



Employees by job category, gender and age

Job category	Under 30 years old		Between 31 and 50 years old		Over 51 years old	
	♀	♂	♀	♂	♀	♂
Executive officers	0	0	0	0	0	7
General managers	0	0	2	12	2	18
Managers	0	0	14	45	1	40
Middle managers	7	35	187	524	31	184
Employees	50	75	330	963	47	252
Analysts	59	135	238	522	49	106
Staff	1	0	6	0	4	0
Total	117	245	777	2,066	134	607

Employees by diversity category

Job category	Number	Percentage of the group they belong to	Percentage of total
Men	2,918	100%	74%
Women	1,028	100%	26%
Disability	3	100%	0.07%
Women in executive positions	4	0.39%	0.10%
Women in management	15	1.5%	0.38%
Women in management positions in sales-generating positions	2	0.19%	0.05%
Women in STEM positions ¹²	514	50%	13%
Asian descent	0	0	0
Afro descent	0	0	0
Indigenous	0	0	0

♀ Women ♂ Men

¹² STEM: science, technology, engineering and math.





Women representation

Percentage of total women	26.05%¹³
Percentage of women in junior, middle, and top management positions	13.33%
Percentage of women in junior management positions	12.85%
Percentage of women in managerial positions at maximum 2 levels below the CEO	0.10%
Percentage of women in income-generating managerial positions, relative to the percentage of employees in such managerial positions	2%
Percentages of women in Science, Technology, Engineering and Mathematics (STEM) positions	50%



WE PROMOTE EQUALITY, MAKING SURE THAT THERE ARE NO DISTINCTIONS OF ANY KIND.

During 2023, the salary ratio for people in entry-level positions that we offer at Axtel, compared to the general minimum wage defined by the Ministry of Labor and Social Welfare (STPS, by its acronym in Spanish) was 1.35 for men and 1.30 for women.

On the other hand, the ratio of the highest-paid person's total annual compensation vs average compensation per employee was 9.28 and the percentage increase in total annual compensation was 6% for 100% of employees.

The average compensation of all employees excluding the CEO was Ps. 38,592.

¹³ The target for the reporting year was 26.20%





At Axtel we meet the obligations of the pension plan, where the organization contributes 4% of the salary of our staff.

Human capital plays a critical role in creating innovative technology solutions that exceed our customers' expectations. As a result of this, and with the intention of integrating committed and talented people into our team, we offer competitive compensation and benefits in our value proposition.

In addition, we understand the constant evolution of our days, which is why we implement a model of constant training and development, which is reflected in an excellent work environment and respectful and inclusive workspaces.

This offer allowed 463 people to join our workforce during 2023.

Ratio of women's basic salary and remuneration to men

Level	Monterrey	Mexico City
Analysts	0.99	1.08
Employees	0.92	1.07
Middle managers	0.94	0.86
Managers	0.83	0.88
Directors	0.83	0.70

Pay-by-tier indicators

Level	Wage gap
Executive (base annual salary)	37%
Executive (integrated annual salary)	37%
Managerial (base annual salary)	13%
Managerial (integrated annual salary)	13%
Non-managerial positions (base annual salary)	10%

New hires by gender



New hires by region, gender, and age

Region	Age					
	Less than 30 years old		Between 31 and 50 years old		Over 51 years old	
	♀	♂	♀	♂	♀	♂
Center	3	34	38	129	4	15
North	18	64	29	76	2	15
Occident	1	8	5	21	0	1
Total	22	106	72	226	6	31

New hire rate in 2023: 6%

Average cost of hire

Ps. 31,283

♀ Women ♂ Men

Vacancies filled by internal movements (promotions or lateral movement)

Region	Age					
	Less than 30 years old		Between 31 and 50 years old		Over 51 years old	
	♀	♂	♀	♂	♀	♂
Center	2	8	15	41	0	5
North	12	27	35	89	5	13
Occident	0	4	4	16	0	1
Total	14	39	54	146	5	19

Turnover by gender



Turnover by region, gender, and age

Region	Age					
	Less than 30 years old		Between 31 and 50 years old		Over 51 years old	
	♀	♂	♀	♂	♀	♂
Center	1	25	28	118	7	34
North	16	40	60	131	16	73
Occident	1	5	13	31	0	8
Total	18	70	101	280	23	114

Turnover rate in 2023: 0.05%

Of the 607 people who stopped working at Axtel for different reasons, 253 did so voluntarily.



OUR TEAM IS THE MOST IMPORTANT PILLAR OF THE ORGANIZATION, WE RECOGNIZE THAT THEIR PASSION AND EFFORT ARE KEY TO MEETING THE EXPECTATIONS OF OUR CUSTOMERS.

Axtel benefit plan

We are dedicated to ensuring their wellbeing, providing benefits superior to those required by law in Mexico, with the aim of enriching their lives, providing them with peace of mind and a solid foundation for their professional development.

- 
Double the number of days of Christmas bonus
- 
Major medical expenses insurance with Covid-19 coverage
- 
Life Insurance
- 
Savings bank
- 
20-day leave for personal matters
- 
Disability or disability coverage
- 
Maternity and parental leave ¹⁴

¹⁴ The number of weeks of parental pay that we provide at Axtel is 1 for men and 84 for women.



Additionally, for our employees in the maternity stage, we offer:

✦ **+10 months**

of home office (if your duties do not allow it, they are added to the breastfeeding schedule)

10 months

of breastfeeding schedule

✦ **10 months**

FlexTime: face-to-face hours from 8:00 a.m. to 4:30 p.m. or face-to-face hours from 8:00 a.m. to 2:00 p.m. and home office from 3:00 to 5:00 p.m.

In 2023 we granted 23 maternity and 25 parental leaves, of which 100% of the staff returned to their activities at the end of their leave and continue within our staff 12 months after returning from parental leave.

We are committed to ensuring that our staff approaching retirement have the resources they need to approach their post-employment future with peace of mind, security and serenity. In this sense, we offer the **Crecer Account**, our retirement savings plan, in which Axtel contributes 4% of each person's salary, thus providing firm support towards a comfortable retirement¹⁵.

In addition, to assist our executives in the transition to retirement, we have the **Visiónate**. This program includes a series of workshops and talks designed to ease your transition to this new stage. During the year, two of our executives benefited from this initiative.



¹⁵ This benefit applies only to Axtel, S.A.B., Alestra Innovación, Estrategias Corporativas and Alestra Servicios Móviles.



Career development and training

GRI 3-3, 404-1, 404-2, 404-3

By meeting the needs of our staff in the face of technological evolution, we promote the growth and professional development of our staff. As part of our commitment to help our staff achieve their professional and academic goals, we seek to provide them with the skills and competencies necessary for current and future challenges.

To achieve this, we provide tools and resources for the professional and continuous development of our employees, including internal training programs, online certifications, and peer mentoring.

WE RENEWED OUR EDUCATIONAL AGREEMENTS AND ADDED NEW AGREEMENTS FOR THE DEVELOPMENT OF OUR STAFF.

In 2023, the work of the Alestra Institute for Technological Development and Talent, also known as **UniAlestra**, our internal university recognized by the Ministry of Public Education (SEP, by its acronym in Spanish), was consolidated, which since this year had the capacity to provide certifications and master's degrees with official validity.

An example is the master's degree in Innovation in Digital Business Management and the master's degree in strategic management of Cybersecurity, which have a duration of two years in online mode, with a self-managed approach, in which 23 employees are participating. The objective of these educational programs, designed and provided by UniAlestra, is to develop technological competencies necessary for the function, operation and sale of Axtel's strategic products. In addition, recognizing the talent of our staff, 10 Axtel experts served as tutors for these programs.

With the UniAlestra program, the training options for our employees are increased, in addition to the internal courses of our institutional training program, in which 99.1% of our staff was trained.



Training programs

Training	Trained workforce
Institutional Training Program ¹⁶	99%
Certification for tower climbing and working at heights	98%
Welcome kit onboarding program for operational areas	349 people
Welcome kit onboarding program for commercial area	77 people
Annual instructor training event	52 instructors
Unconscious Sessions for Leaders	92 participants
Profitability workshop	161 participants
Fire fighting course	12 participants
First aid course	13 participants
Knowledge of products and services	3,440 attendees
Leadership exercise workshop	468 participants

Note: Most of these trainings were conducted through digital platforms.

♀ Women ♂ Men

¹⁶ This program considers topics such as sustainability, agility and innovation, Axtel identity, hybrid work and relationships, information security, culture of integrity, diversity and inclusion, human rights, code of ethics and environment.

WE INVESTED PS. 13,014,740 IN TRAINING FOR OUR STAFF, PS. 8,560 ON AVERAGE PER PERSON.

Investment in training by gender

	Total investment	Investment per person
♀	\$3,383,832.38	\$12,660.25
♂	\$9,630,907.55	\$4,460.16



Axtel’s commitment to respecting the human rights of all people is of paramount importance. This year we organized several awareness-raising sessions on human rights issues such as diversity and inclusion in the workplace, discrimination in the workplace and inclusive companies, in which we had the participation of 3,884 employees who represented 98% of the workforce.

In addition, this year we conducted the **Unconscious Biases**, training, where key concepts for gender equality, diversity, equity and inclusion were addressed in order to promote good labor practices, improve the work environment and the relationships between the people who make up our workforce. The training was aimed at Axtel leaders, with the aim of helping them understand the processes that underlie discriminatory acts, raising awareness about diversity, inclusion, stereotypes, prejudices and unconscious biases.

♀ Women ♂ Men

Average training hours by job category and gender

Job category	Total training hours		Average number of hours of training	
	♀	♂	♀	♂
Executive officers	12	72	12.00	9.00
General managers	46	297	15.33	10.61
Managers	194	1,039	12.13	12.08
Middle managers	1,036	3,268	12.79	13.02
Employees	9,543	31,033	12.06	12.93
Analysts	1,500	1,655	11.03	11.49
Total	12,331	37,364	12.00	12.80

WE PROVIDED AN AVERAGE OF 12.59 HOURS OF TOTAL TRAINING PER EMPLOYEE.



We live in an era of continuous transformation, where technological development acts as one of the main drivers of change. At Axtel we are aware of this, so one of our main priorities is to keep constantly updated and informed about the trends, innovation and development of our industry. This year we continued to increase the number of employees who received certifications in various technical and technological knowledge by institutions that are recognized in innovation and technological development such as Amazon Web Services, Avaya, CISCO, EC-Council, Fortinet, ISACA, ISO, ITIL, Microsoft, PMP, SCRUM, Six Sigma and Kanban.



SUCCESS STORY

#CapInHouse

CapInHouse is an internal educational program customized for operational areas, in which our own specialists and employees share best practices on the telecommunications technologies we use in our operations. The courses are taught weekly by employees from different areas who have more experience in some of the technologies of data equipment, transport, microwaves, fiber optic cabling, IP addressing, administrative and other topics under the agile concept. The average duration is two hours and the sessions are recorded so that they are later available to our staff.

This year, CapInHouse held an executive course on the basic principles of telecommunications, as well as the services provided by Axtel to the business, government and financial markets, which was given to General Management and will be part of the welcome kit for new employees who join Axtel.

CapInHouse by the numbers:

23 sessions

17 instructors

103 average attendees per session

2,382 participants

4,764 hours of training

To evaluate the learning and training processes, we monitor the performance and skills of our workforce through evaluations, goal systems, and behaviors for executives, which allow us to identify areas for improvement and design training plans. **In 2023, a total of 735 employees received a performance evaluation.**

Performance appraisal by position and gender

Role	♀		♂	
Executive officers	0	0.0%	7	0.2%
General managers	4	0.1%	28	0.7%
Managers	16	0.4%	86	2.2%
Middle managers	31	0.8%	36	0.9%
Employees	220	5.6%	307	7.8%
Total	271	-	464	-

Goal and behavioral assessment for executives by gender

Cargo	♀	♂
Executive officers	0	7
General managers	4	28
Managers	16	86
Total	20	43

♀ Women ♂ Men

Axtel's organizational culture is fundamental to the alignment of our development goals and strategy. With the aim of recognizing, improving and managing the development of our staff in positions of supervision, coordination or leadership, this year we continue with the evaluation of the respective managers and direct reporting to give feedback from their own team, on their behavior and leadership skills. **By the end of this year, 100% of middle managers and managers received the leadership performance evaluation.**

EVALUATIONS FOR THE SALES TEAM ARE CONDUCTED MONTHLY AND FOR MANAGERS, DIRECTORS AND EXECUTIVE DIRECTORS ON AN ANNUAL BASIS.



180° assessment of leadership and management of middle managers

Role	♀	♂
Supervisor	5	16
Leader	39	147
Chief	11	46
Specialist / Consultant / Administrator	8	17
Coordinador	25	59
Total	88	285

360° executive leadership and management assessment

Role	♀	♂
Executive officers	0	6
General managers	3	27
Managers	16	89
Total	19	122

♀ Women ♂ Men

In 2023 we obtained for the third consecutive year the **Wellbeing Factor** distinction, this distinction is awarded by the Institute of Wellbeing and Happiness Sciences (ICBF) of the TecMilenio University, which recognizes organizations that invest in and prioritize the wellbeing of people through positive practices in the organization's processes.

In addition, we obtained the **TRe Distinction** that recognizes companies with healthy labor processes, personnel and organizational results, which is granted through the Ministry of Labor of Nuevo León.

We earned the ESR Distinctive for the

16th

consecutive year.



We are ranked

#7

in the Empresas +Éticas ranking.



Occupational health & safety

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10

At Axtel we know that the performance, satisfaction and results of our staff are linked to their physical, mental and emotional wellbeing. That is why we are committed to ensuring that everyone on our team feels safe at home, in our offices, and on site.

Based on this commitment, we have the **Health and Safety Committee**, which represents all our staff to guarantee health and safety in the company. The commission is charged with monitoring safety measures, overseeing potential

health crises, inspecting workplaces, and conducting investigations related to workplace accidents.

IN ADDITION, WE CREATE A GROUP OF CIVIL PROTECTION BRIGADES AND A SECURITY COMMITTEE, WHICH ALLOW US TO FOLLOW UP ON SECURITY MEASURES.



Safety guidelines are essential for the identification and assessment of health, social and environmental risks:



Tasks and activities are described by workstations.



The Task Safety Analysis (TSA) format is applied to identify risk and classification steps based on their probability-consequence.



A risk matrix is established and evaluated.



The level of risk (hierarchy of control or prioritization) is defined to set priorities.



Risk mitigation and control measures (elimination, prevention and control) are proposed.

In order to identify improvements in the health and safety management system, we developed a process that we activate when a workplace incident occurs to prevent future incidents.



1

An incident and/or accident is reported to human resources.



2

A report and investigation form are filled out by the direct supervisor in conjunction with Occupational Health and Safety.



3

Causes and risk factors are detected.



4

Recommendations are issued.



5

A control is implemented and followed-up, the recommendations are oriented to training issues, work environment, facilities, processes, machinery and/or equipment.



Some of the health care services we make available to our employees include:

- Advice from the medical department (on-site and via Teams)
- Counselling on psychological counselling
- Health Insurance
- Talks with specialists.
- Agreements with laboratories, doctors' offices and care clinics
- Medical consultation and guidance (cancer, prostate, diabetes)
- Covid-19 Vaccination Campaigns
- Flu Vaccination Campaigns
- Consultation with a nutritionist
- Psychological counseling
- Measurement of Preventive Health Indicators (IMSS)
- Voluntary affiliation of family members at a cost

FOR AXTEL, THE
PREVENTION, ATTENTION
AND MITIGATION OF RISKS
THAT MAY AFFECT THE
INTEGRITY OF OUR STAFF IS
ESSENTIAL.

We maintain a clinical history of our personnel who work at heights, we promote a program of epidemiological medical surveillance and a program of informative health talks given by medical specialists.





We also support the vaccination of our staff against respiratory diseases such as COVID-19 and influenza. We participated in vaccination campaigns in Mexico City and Monterrey, to which we invited our staff to promote their protection.

1,887

vaccinations administered to staff and their families in 2023.

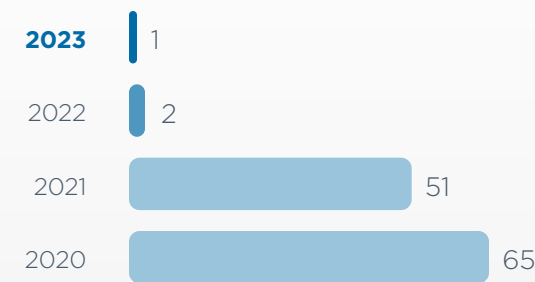


We are aware of the consequences of COVID-19 and the immediate and critical needs that must be addressed for our staff and their families.

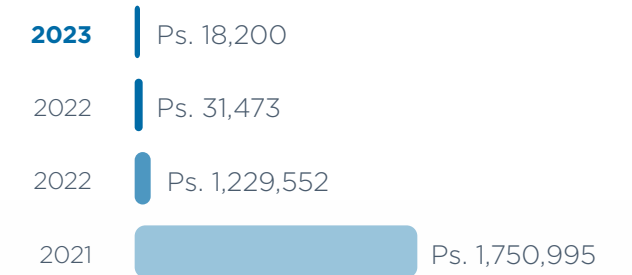
FOR THIS REASON, WE CONTINUE THE 1 PE\$O VALE 2 CAMPAIGN, WHICH AIMS TO RAISE FUNDS THROUGH VOLUNTARY DONATIONS.

As a sign of our commitment, for every peso donated by a member of our staff, Axtel adds another peso. Currently, these needs are being met, so there is a significant difference compared to when the pandemic began in our country.

Supported staff



Amount of support from Axtel and staff



*In 2023, the contingency plan was applied for a colleague in the city of Puerto Vallarta whose home was damaged by Hurricane Lydia.

Our commitment to the health of our staff not only includes preventing accidents, injuries or contagion, but we also seek mental health and a decent work environment as set out in NOM 035 on Psychosocial Risk Factors at Work.



We implemented the **Integral Wellbeing** strategy, through which we seek to develop and promote healthy and positive collaborative environments, while avoiding any type of violence, abuse, retaliation and/or discrimination. In addition, we seek to provide opportunities for development and work-life balance for our team in all areas.

In 2023 we continued with the online emotional health talks program. In this program we invited our staff and their families to participate in sessions taught by a specialist psychologist, where topics such as empathy, stress management, resilience, beliefs and emotion management were addressed.



Integral Wellbeing is made up of three dimensions:

1. **Health.** During this year we facilitated talks with specialists on assorted topics such as: psychosocial risk factors (NOM 035), attention to traumatic events, common diseases, financial health, self-help, stress and mental health care. In addition, virtual workshops were given to promote family coexistence, as well as the formation of a self-help group for people on our staff who have faced traumatic events or grief.
2. **Professional.** Being aware of the advantages and potential of technologies and the need to meet our objective of updating and professional development, during this year we continue with our hybrid training and training model, attending to and taking care of the needs and interests of each of the people in our staff, while promoting the coexistence and relationship that can occur in face-to-face spaces. We also recognized in a face-to-face ceremony the trajectory of our employees in Monterrey, Mexico City and Guadalajara who completed 10, 15, 20, 25 and 30 years of work at Axtel.
3. **Balance.** We offered monthly virtual workshops to all of our employees on various topics of interests included finance, nutrition, and preservation of the environment.

EVERY YEAR WE PROVIDE GENERAL AND SPECIFIC COURSES ON HEALTH AND SAFETY FOR EMPLOYEES, DEPENDING ON THEIR JOB POSITION.



General

- Building evacuation
- Fire prevention and fighting
- First aid
- Diverse talks on health
- Talks on psychology and stress



Specific

- Working at heights
- Work on telecommunication towers

Understanding prevention as the best method of care, our focus is on mitigating the main occupational health and safety risks to which our workforce may be exposed. These include work accidents in the operational areas in the field, internal plant, warehouse and maintenance arising from falls from heights, traffic accidents and electrical contacts.

This year we recorded four injuries to our staff due to workplace accidents, neck and ankle sprains, arm and hand injuries due to falls and minor cuts to hands due to scrapes. We do not record deaths among our staff or personnel who are not employees of Axtel. In the same way, there were no occupational ailments or illnesses in any person in our staff, nor in workers who are not part of our staff.



Indicators related to workplace accident injuries

Concept	Number	Rate*
Fatalities	0	0
Workplace accident injuries with big consequences	0	0
Recordable workplace injuries	4	0.6
Recordable occupational diseases	0	0

*For the calculation of the rate, 6,656,000 hours worked were considered.



Healthy work environment

SASB TC-SI-330a.2

We understand that the work environment is an essential part of the development of our people. Every two years we apply an organizational climate survey to our staff with the aim of measuring how committed they feel to the company.

In 2022 we conducted this survey to which we invited our entire workforce, and we had the participation of 2,947 people.

THE RESULT WAS A LEVEL OF COMMITMENT OF ACTIVELY ENGAGED (98%) IN LINE WITH THE PARAMETERS OF NOM 035.



Nature and climate

Protection of biodiversity

At Axtel we are committed to the protection and conservation of the environment, through our **Commitment to No Deforestation²⁰**.

We recognize the critical importance of forests for the ecological balance of the planet, biodiversity and as carbon sinks to combat climate change. In that sense, we implement operational and management practices that exclude any activity that contributes to deforestation.

We strive to minimize our environmental impact through the responsible use of resources, encouraging reforestation and the maintenance of green spaces, and collaborating with suppliers and partners that also respect zero deforestation principles.

This approach demonstrates our commitment to protecting the environment and promoting a more sustainable and responsible future.

²⁰ Consult our No Deforestation Pledge at: https://www.axtelcorp.mx/sites/axtelcpo.mx/files/CompromisoNoDeforestacion_2022.pdf

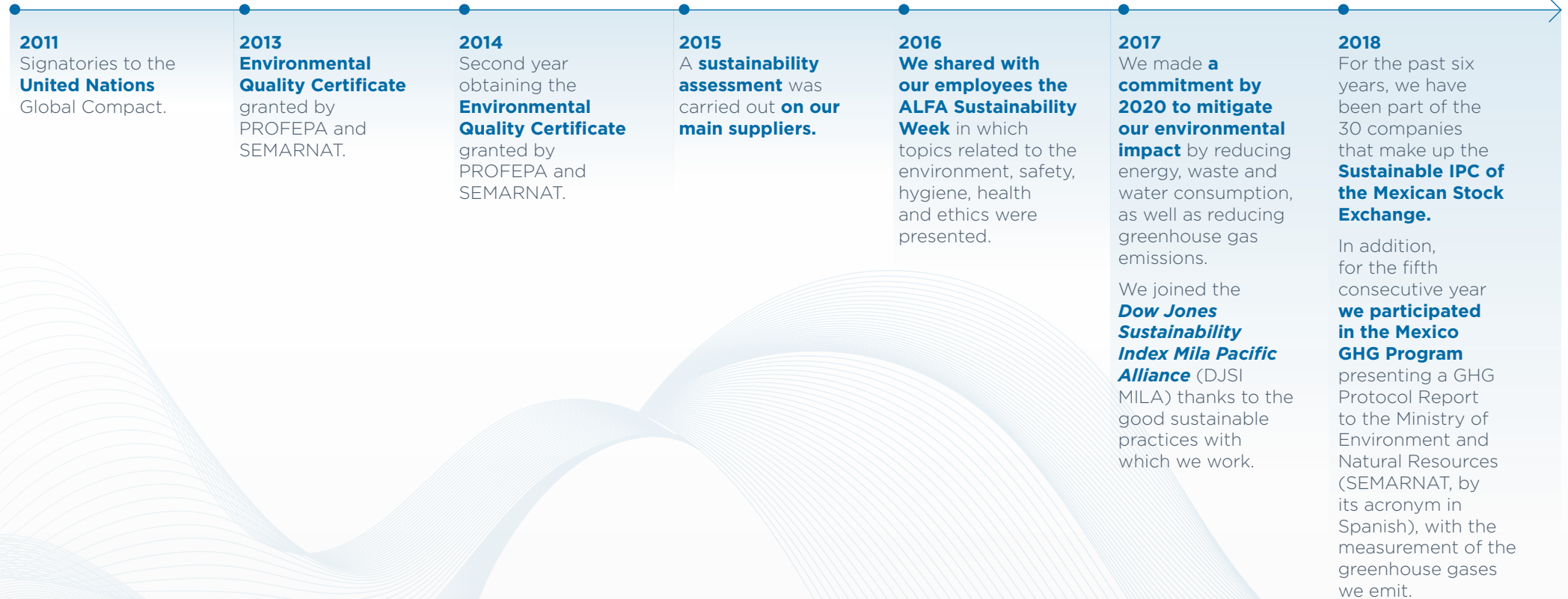
²¹ Consult our Environmental Policy at: https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_Ambiental_2022.pdf

Environmental management

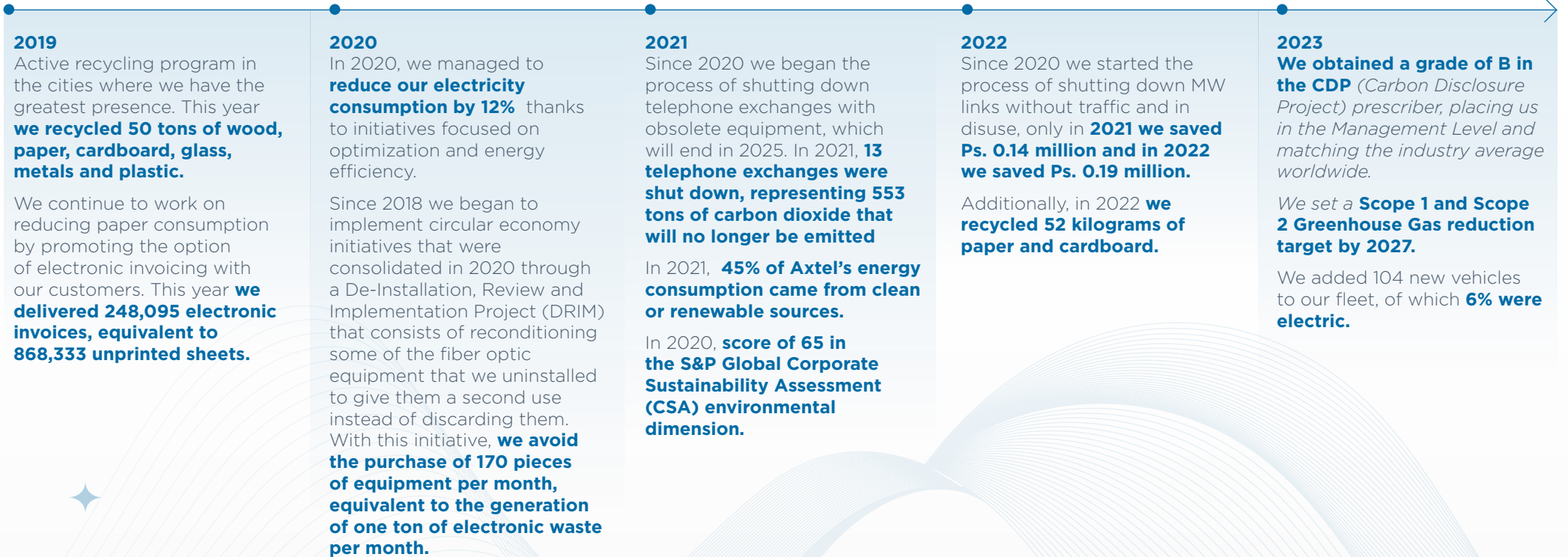
Axtel's **Environmental Policy²¹** is the document that guides the responsible use and management of resources within the company. This policy covers our production operations and sites, the services we provide, the waste management derived from our operation, as well as interactions with suppliers, contractors and other key business partners.



History of environmental management at Axtel | Focusing on corporate sustainability



History of environmental management at Axtel | Focusing on corporate sustainability



GHG emissions and energy management

GRI 3-3, 302-1, 302-2, 302-3, 302-4
SASB TC-SI-130a.1, TC-TL-130a.1

To conduct our operations and meet the requirements of our customers, energy plays a fundamental role. This is essential for the operation of our electronic devices, the air conditioning of our facilities and the lighting of our work areas.

Our **Energy Saving Policy** sets out the actions we take to optimize energy use to the highest industry standards, allowing us to reduce our carbon footprint and greenhouse gas (GHG) emissions.

THESE MEASURES NOT ONLY REFLECT OUR COMMITMENT TO THE ENVIRONMENT, BUT ALSO CONTRIBUTE TO MORE SUSTAINABLE AND RESPONSIBLE OPERATIONAL PERFORMANCE.

Telephone exchange shutdown

To reduce our GHG emissions, we are maintaining the shutdown of telephone exchanges that we started in 2020. Our focus is on retiring outdated equipment to lower electricity consumption and, therefore, our GHG emissions, recycling and reusing materials and cables.

This measure not only favors the environment, avoiding CO₂ emissions, but also implies significant savings: more than Ps. 3 million in 2021, Ps. 0.19 million in 2022, and an income of Ps. 4.7 million from the sale of electronic components and copper.

2020

Six power plants shut down = Economic savings of Ps. 2.3 million and 414 tCO₂e avoided.

2021

Economic savings of Ps. 3 million and tCO₂e avoided.

2022

Economic savings of Ps. 0.19 million and 35 tCO₂e avoided.

2023

Three plants shut down = Economic savings of Ps. 0.95 million, 148.42 tCO₂e avoided.

Network optimization: nine sites and 11 devices shut down = 57,037 tCO₂e avoided.

Shutdown of MW links: 153 MW shut down = Economic savings of Ps. 0.13 million and 17,746 tCO₂e avoided.



- ETHICAL OPERATION
- ACHIEVEMENTS IN INNOVATION
- WORK ENVIRONMENT
- NATURE AND CLIMATE**
- SUSTAINABLE PARTNERS
- SOCIAL INCLUSION

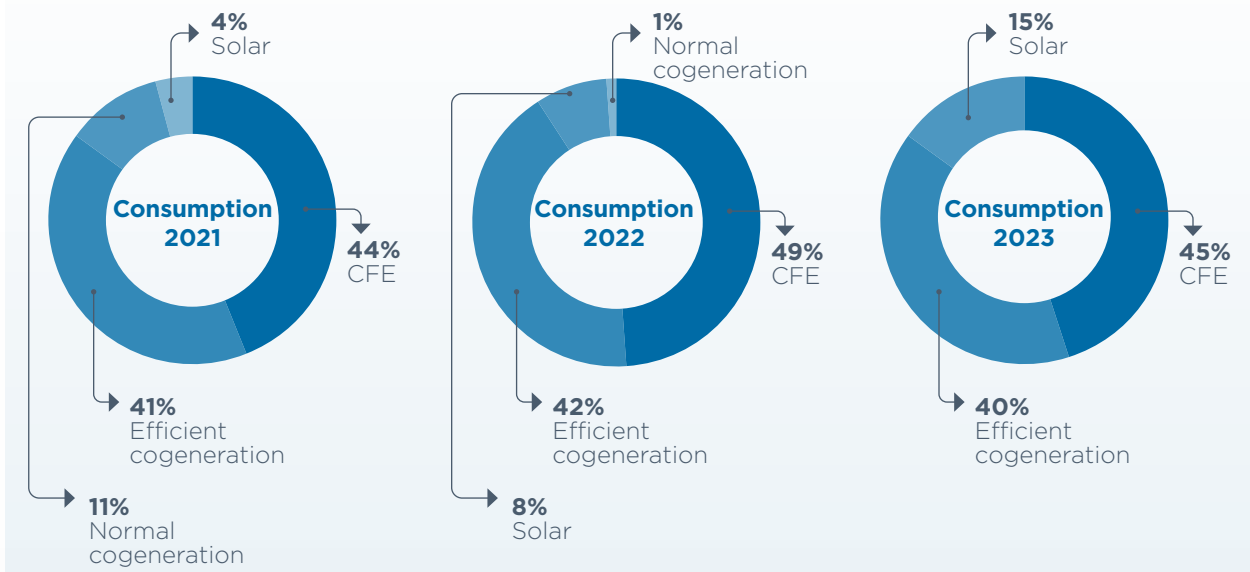
To monitor the energy efficiency of our data centers, we apply the Power Usage Effectiveness (PUE) indicator. This index evaluates efficiency by comparing the total energy used by the facilities with the energy consumed directly by the computer equipment. In this way, we gain a clear view of the energy use of our operations and are constantly looking for opportunities to optimize it.

ON AVERAGE, THE 2023 **PUE** WAS 1.84, CONSIDERING 7,371 MWH OF ENERGY USED IN OUR DATA CENTERS, OF WHICH 8% WAS RENEWABLE ENERGY.

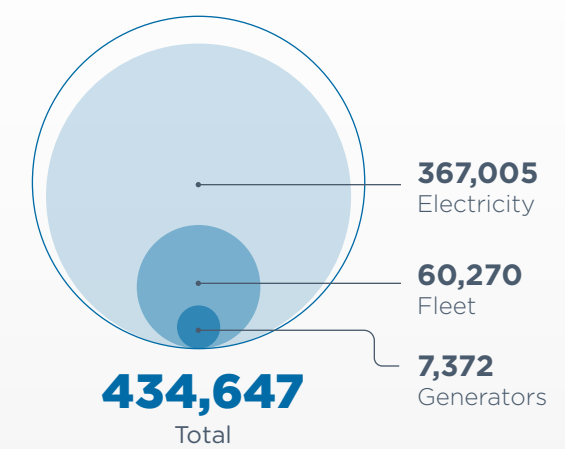
PUE per data center

Data center	PUE
MTY H1	1.70
MTY H2	1.90
MTY H3	1.90
Guadalajara	1.93

AxteI's energy mix (kWh)



Total power consumption (GJ)



Generators consumption (stationary sources)

Type	Liters	GJ
LP Gas	12,322	322
Diesel	178,544	6,811
Gasoline	6,779	239
Total	197,645	7,372

Fleet consumption (mobile sources)

Type	Liters	GJ
Gasoline	1,661,695	58,666
Diesel	42,058	1,604
Total	1,703,753	60,270

Electricity consumption

Type	MWh	GJ
Conventional	46,238	166,459
Normal cogeneration	--	--
Efficient cogeneration	40,428	145,542
Renewable photovoltaic	15,279	55,005
Total	101,946	367,005



Energy intensity

IN 2023, 39.74 GJ WERE CONSUMED PER BILLION PESOS IN REVENUE.

2021
35.15 GJ/MMDP

considering Ps. 11,389 million pesos in revenues and 400,339 GJ.

2022
43.68 GJ/MMDP

considering Ps. 10,480 million pesos in revenues and 457,808 GJ.

2023
39.74 GJ/MMDP

considering Ps. 10,956 million pesos in revenues and 426,750 GJ.



Greenhouse Gas Emissions

GRI 3-3, 305-1, 305-2, 305-3, 305-4, 305-5
 TCFD Metrics and objectives b)

Every year we conduct the analysis of our greenhouse gas (GHG) emissions inventory, with the aim of mapping and recording the direct and indirect emissions derived from our operations. This process is essential to create a framework that allows us to assess and improve our energy efficiency and reduce our environmental impact.

WE MANAGED TO REDUCE OUR SCOPE 1 AND 2 EMISSIONS BY 37.35% VS THE 2020 BASE YEAR.

Objective: to reduce emissions in absolute units by 41%, considering scope 1 and 2 together.

- Base year 2020
- Target year 2027
- Base year issuances 63,412 ton CO₂e
- Actual reduction vs base year of 37.35%

Scope 1 (direct emissions)

Scope 1 emissions make up 12% of total reported emissions. At Axtel, these emissions come primarily from the use of fuels and energy production at our facilities (stationary sources) as well as from our fleet of vehicles (mobile sources).

Scope 1 emissions (stationary sources)

Type	ton CO ₂ e
LP Gas	20.33
Diesel	506.35
Gasoline	16.64
Total	543.32

Scope 1 emissions (mobile sources)

Type	Ton CO ₂ e
Gasoline	4,230.97
Diesel	120.72
Total	4,351.69

Scope 1 emissions (ton CO₂e)



Scope 2 (indirect emissions)

Scope 2 emissions make up 85% of the total emissions generated by our activities, originating mainly from the purchase of electricity that we use in our sites and offices.

Scope 2 emissions (ton CO₂e)



Scope 3 (indirect emissions)

Scope 3 emissions, which account for 3% of our total emissions, are the result of our activities indirectly associated with our value chain. Among the main sources of these emissions are business air travel by our employees and gasoline vouchers provided as a benefit to executives.

Travel

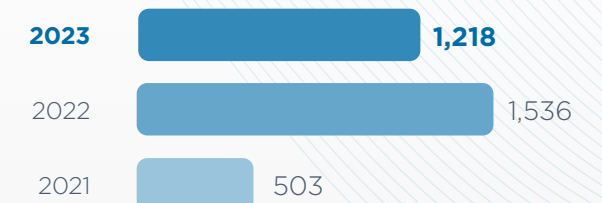
During this year, our team's air travel generated 924 tons of CO₂e, from both domestic and international flights, totaling 4,814,978 kilometers traveled.

Bonuses

On the other hand, in 2023, emissions resulting from the use of gasoline bonuses granted to executives resulted in 294 tons of CO₂e.



Scope 3 emissions (ton CO₂e)





Emissions intensity

2021
3.99 ton CO₂e /MMDP

considering Ps. 11,389 million pesos in revenues and 45,460 tons CO₂e emitted.

2022
4.32 ton CO₂e /MMDP

considering Ps. 10,480 million pesos in revenues and 45,344 tons CO₂e emitted.

2023
3.63 ton CO₂e /MMDP

considering Ps. 10,956 million pesos in revenues and 39,725 tons CO₂e emitted.

Notes on emissions calculation:

- We use the methodology of the Greenhouse Gas (GHG) Protocol for the preparation of the emissions inventory, as well as the methodological agreements of the *Registro Nacional de Emisiones* Program and its Regulations to calculate emissions and obtain the corresponding factors and references.
- We used the caloric proxies designated by CONUEE (2023).
- For Scope 2 emissions, we use the emission factor of the National Electric System 2022.
- The consolidation approach used for emissions was operational control.
- For the calculation of Scope 1, 2 and 3 emissions, the information was collected by Axtel.



Green services

In 2023 **we continued to increase and promote the use of collaboration and innovation technologies that help reduce the carbon footprint in cities and rural areas**, for example, connectivity services to car-sharing platforms, which contributes to the reduction of the carbon footprint. Or remote collaboration platforms that avoid the transfer of people and therefore help in the reduction of GHGs.

Connectivity services to the financial sector, responsible investment platforms which have the potential to provide new sources of financing for sustainable business models, social projects or innovative initiatives that have an impact on many SDGs.

FINANCING IS ESSENTIAL TO DEVELOP NEW RENEWABLE ENERGY PLATFORMS AND SUSTAINABLE STRUCTURES.

Internet of Things (IoT) services, the current inefficiency of transport or energy waste are some of the aspects that IoT solutions can help mitigate, reducing fuel consumption by 15% thanks to fleet management services.

In industry and livestock farming, we offered services such as Mobile Traffic, which allow the development of technology to increase production, while minimizing the impact on the environment and natural resources.

In agriculture, fixed or mobile connectivity allows crop fields to sound, and the use of pesticides is efficient, as well as smart irrigation in favor of making land use more efficient and generating better harvests with fewer impacts.



- ETHICAL OPERATION
- ACHIEVEMENTS IN INNOVATION
- WORK ENVIRONMENT
- NATURE AND CLIMATE**
- SUSTAINABLE PARTNERS
- SOCIAL INCLUSION

Green operations

Water

GRI 303-1, 303-2, 303-5
SASB TC-SI-130a.2

Our **Water Efficiency Policy** sets out the guidelines to be followed, recognizing that while water consumption is not a critical component in our daily activities, we are aware of the essential value that this resource represents for life. For this reason, we are committed to responsible and sustainable water management, promoting practices that ensure its efficient use and the preservation of this indispensable resource.

The water we use is mainly obtained from the municipal supply in the regions where we operate and is subsequently reintegrated into the same systems.

We have a storage of 499 m³ of water in cisterns located in Nuevo León and Mexico City, intended for sanitary services and the operation of precision air equipment. Additionally, we reserve 1,000 m³ of water in cisterns to be used in case of fires, demonstrating our commitment to environmental preparedness and sustainability.

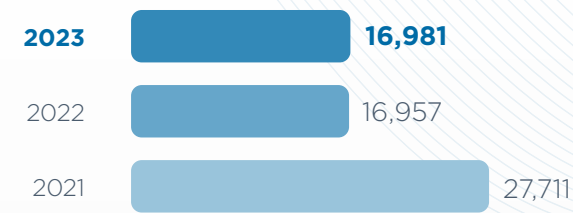
We conduct monthly reviews on water consumption, this allows us to detect irregularities in consumption that can result in the identification of leaks and waste of this essential resource.

In 2023 we consumed

16,981 m³

of which **65% equivalent to 11,121 m³**, come from areas of water stress.

Water consumption (m³)



AS A RESULT OF OUR WATER USE, NO NEGATIVE IMPACTS ON WATER SOURCES WERE REPORTED IN 2023.



Waste management and disposal

GRI 301-2, 3-3, 306-3, 306-4, 306-5
SASB TC-TL-440a.1

Because our services are predominantly intangible, the company's use of materials is especially concentrated on infrastructure and facilities.

Some of the materials we use are MW links, fiber optic access points (known as CPEs) and fiber optic DPs, which are composed of 20%, 20% and 16% recycled elements, respectively.

In line with our **Waste and Residue Management Policy**, and in compliance with the Official Mexican Standards and the applicable environmental legislation in the country, we implement waste management strategies produced by our operations.

Waste generated by composition and destination (tons)

Composition	Total waste generated	Waste not destined for disposal	Waste destined for disposal
Urban solids	237.35	0	237.35
Special handling	2.75	2.75	0
Dangerous	0.09	0	0.09
Infectious hazardous biological waste	0.01	0	0.01
Total	240.19	2.75	237.45

Hazardous waste, including lead acid batteries, is temporarily stored before being sent to specialized facilities for safe disposal and confinement.

DURING 2023, WE RECYCLED 2,747 KG OF PAPER AND CARDBOARD.

	Waste disposal (tons)			
	2020	2021	2022	2023
Recycling	74	201	102	2.7
Dump	782	701	257	237
Confinement	10	0.8	0.04	0.09
Total	866	903	359	240

IN 2023, WE MET OUR GOAL OF REDUCING OUR WASTE GENERATION COMPARED TO 2022.

Sustainable partners

Sustainable supply chain

GRI 204-1, 205-2, 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2

We are committed to sustainability, which is why we set clear expectations with our suppliers aligned with policies, requirements and assessments that encompass ESG aspects.

These expectations, as well as the behavior expected of Axtel with its suppliers and vice versa, are reflected in our **Supplier Code of Conduct**, which serves as an essential tool for building a sustainable supply chain. This code adheres to national and international legislation and standards, providing a framework for action and commitment for suppliers who wish to maintain a business relationship with us. In the selection processes, we inform all our suppliers about our **Supplier Selection Policy**, in addition to the anti-corruption policy and procedure, and our Code of Ethics for Suppliers.

In addition, to ensure that our critical suppliers are aligned with Axtel's values and practices, we implemented a detailed questionnaire covering a wide range of ESG topics, from sustainability policies, environmental impact management and labor practices, to occupational health and safety; It is expected to be completed by all critical vendors.

These measures ensure that Axtel and its suppliers not only comply with the Official Mexican Standards, legislation and provisions of official bodies such as Civil Protection, the Ministry of Labor and the International Labor Organization, but also promote sustainable and ethical progress in all spheres of their operation.

In this regard, Axtel's purchasing model considers that our suppliers must promote and comply with ethical, health and safety, social and environmental issues.

THE MANAGEMENT OF
OUR SUPPLY CHAIN IS
A STRATEGIC ACTIVITY
FOCUSED ON ENSURING
BUSINESS CONTINUITY.



Supply chain management

We interact with our suppliers based on policies, requirements and assessments that consider ESG issues that are relevant to Axtel and our stakeholders. This also includes complying with municipal, state, and federal regulations in Mexico, as well as with the provisions established by international organizations.

Currently, 100% of our suppliers recognize Axtel's level of commitment to ESG issues, the requirement of compliance with the Code of Ethics for Suppliers, as well as the policies and procedures that are applicable to them in terms of anti-corruption.

To ensure that our suppliers adhere to the Supplier Code of Conduct, during 2023 we started with the Supplier ESG Program, for which we send evaluations to 83% of our critical suppliers.

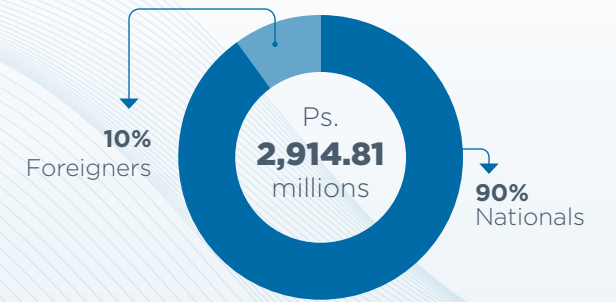
The assessment includes issues related to health and safety, social and environmental governance that serve as a basis for validating our suppliers' adherence and reviewing their adherence to ESG issues that are relevant to Axtel and our stakeholders.

In the interest of promoting the local economy, we conduct most of our transactions with local suppliers. In 2023, of the total number of suppliers we engaged with, 54 were local²³ and 58 were international.

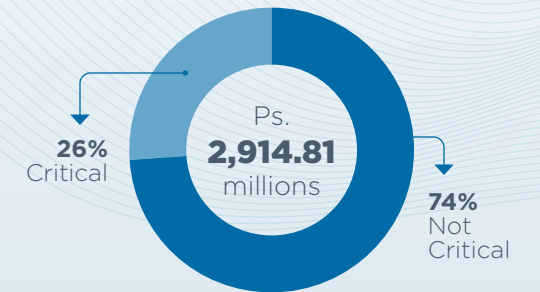
WE PROMOTE THE DEVELOPMENT AND ECONOMY OF THE COUNTRY THROUGH THE PURCHASE OF PRODUCTS AND SERVICES FROM MEXICAN COMPANIES.

²³ Local suppliers: with operations in Mexico.

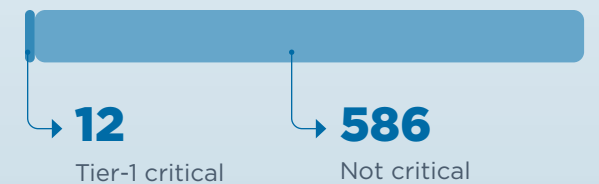
Proportion of expenditure to suppliers according to their origin



Proportion of expenditure allocated to suppliers according to their criticality



Axtel's Suppliers



ETHICAL OPERATION

ACHIEVEMENTS IN INNOVATION

WORK ENVIRONMENT

NATURE AND CLIMATE

SUSTAINABLE PARTNERS

SOCIAL INCLUSION



DURING 2023, WE EVALUATED 42% OF OUR CRITICAL SUPPLIERS ACCORDING TO ENVIRONMENTAL AND SOCIAL CRITERIA.

Result of the first assessment through the Supplier ESG Program

Parameter	From our evaluated suppliers
Sustainability-related governance controls	100%
Main issues addressed in sustainability policies	Energy use, Biodiversity, Emissions, Diversity and equality, Human rights, Health and safety at work
Alignment with international standards or commitments	80% aligned with SDGs 20% adhered to the Global Compact 60% Other
Established environmental governance	100%
They have defined targets for reducing greenhouse gas emissions	80%
They currently use renewable energy sources in their operations in a significant way	60%
Controls related to occupational health and safety	100%
Governance controls related to labor rights	100%
Guidelines for preventing workplace harassment	100%
Have procedures in place to address workplace harassment	60%



AS A RESULT OF THIS ASSESSMENT, WE DO NOT IDENTIFY SUPPLIERS AT RISK OF NON-COMPLIANCE WITH OUR SUPPLIER CODE OF CONDUCT IN CASES OF HUMAN, ENVIRONMENTAL AND SOCIAL RIGHTS WITHIN THE VALUE CHAIN.

Suppliers to whom we communicate anti-corruption policies and procedures by region

Origen	Northern region		Western region		Central region		Southern region	
	SME	Large	SME	Large	SME	Large	SME	Large
National	50	151	5	31	23	248	5	27
Foreign	58	-	-	-	-	-	-	-
Total	108	151	5	31	23	248	5	27

Note. We consider SMEs to be companies that have between 1 and 30 workers or that generate annual sales of more than four million and up to 100 million pesos. And large to companies with more than 30 workers and sales of more than 100 million pesos.



Response to social and environmental emergencies

WE IMPLEMENTED A CULTURE OF PREVENTION BEFORE THE HURRICANE SEASON, WHICH BEGINS IN MAY AND JUNE IN THE PACIFIC AND ATLANTIC OCEANS, RESPECTIVELY.

Since March, we have started with preparations such as verification meetings, closure of maintenance tasks, validation of spare parts, materials and consumables, testing of emergency plants, local and remote technology backups, validation of equipment and tools, among other activities that allow us to guarantee our operation during these weather events.

Acapulco is an important example of this. As a precaution, prior to the impact of Hurricane Otis in Guerrero, some of our personnel were sent to respond to the emergency. During this incident that affected a large number of families, Axtel personnel located in Acapulco and external plant crews from cities such as Puebla, Pachuca, Mexico City and Villahermosa who were sent to carry out repairs and restorations of damaged technical sites and fiber optic cuts allowed a restoration of service in a brief period of time. re-establishing basic services for both local government and private industry.

Considering Hurricane Otis, during 2023 there were several climatic and adverse events. However, thanks to this process, **we were able to maintain an optimal margin of affectation that was not reflected in the service our customers received.**



Social inclusion

Social inclusion strategy

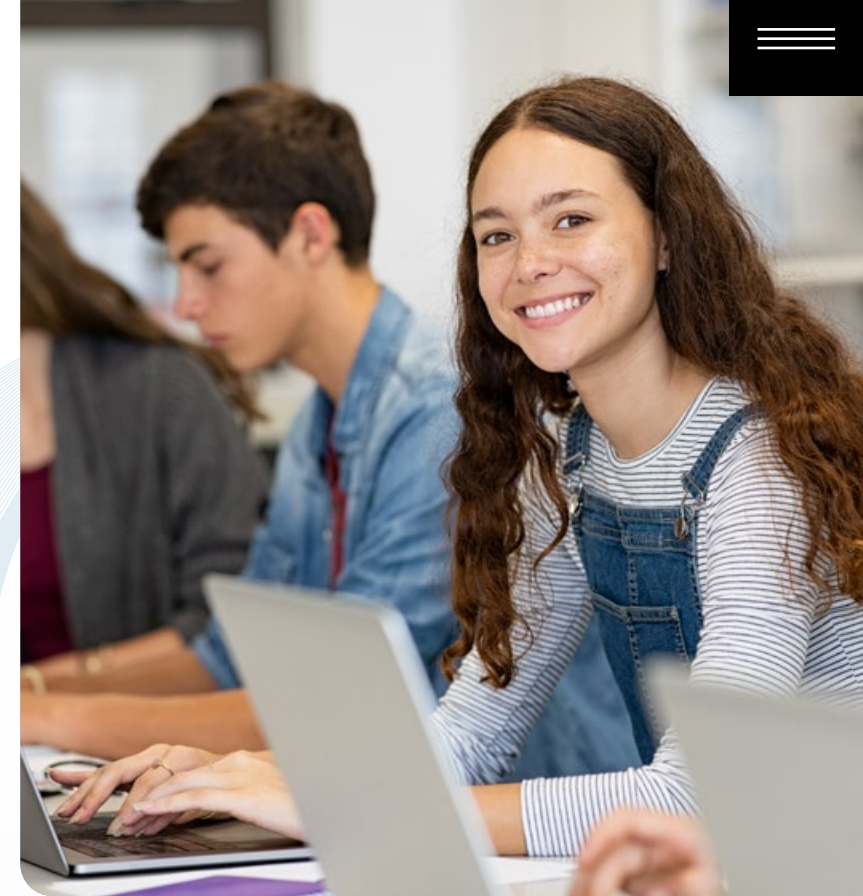
GRI 3-3, 413-1

At Axtel, with the aim of serving important causes in recognition of the relevance of contributing to our society, we concentrate our efforts on promoting various initiatives, while strengthening our culture and building strong relationships with our staff and communities.

We framed this commitment in a corporate social responsibility document entitled **Corporate Philanthropy Guideline²⁴**. This document was published in 2022 and here we established our primary scope of support to the community represented by the families of our staff, as well as to the communities and institutions that serve, and support causes related to health, education, and the environment.

In line with these commitments, we continue to participate in the initiative of the Mexican Business Council (CMN) and El Colegio de México: Leaders in Motion (LeM). Through this initiative, we invite the sons, daughters or relatives of our staff to a highly demanding extracurricular academic program with the aim of identifying young people with outstanding intellectual talent, leadership potential and a social commitment to their community and the country.

The LeM program is an initiative for the CMN community and the 60 companies that make it up, specifically aimed at university students (bachelors and engineering) and high school students (from any subsystem of the bachelorship).



OUR STAFF AND THEIR FAMILIES PARTICIPATED IN THE UNIVERSITY PROGRAM AND THE HIGH SCHOOL PROGRAM.

²⁴ See the Corporate Philanthropy Guideline: https://www.axtelcorp.mx/repositorio/vinculacion-social/Directriz-Filantropia-Corporativa_2022.pdf

ETHICAL
OPERATIONACHIEVEMENTS IN
INNOVATIONWORK
ENVIRONMENTNATURE AND
CLIMATESUSTAINABLE
PARTNERS**SOCIAL
INCLUSION**

Labor inclusion is a fundamental principle at Axtel. To this end, we support through the donation of our services for the creation, administration and maintenance of the initiative in the job bank of **Movimiento Congruencia**, which is a non-profit organization that seeks to provide solutions to the problems faced by people with disabilities for socio-labor inclusion. In this initiative, they participate together with educational institutions and civil society organizations, promoting the inclusion, consideration and appreciation of their talent.

As every year, we launched campaigns focused on promoting altruism among our team through donations to institutions that serve different social causes, these were the most relevant donations (in pesos):

Ps. 96,000

Christmas Campaign - purchase of toys, clothing and blankets donated to the community.

Ps. 480,000

Acapulco Support in food donated to the community.

As part of our social commitment, at the end of the year we organized a Christmas campaign to collect toys, clothes and blankets for marginalized communities in Nuevo León.

In addition, we collected donations of Ps. 480,000 pesos in food to support the population of Acapulco.

Additionally, we donated **20 computers for students of the Ministry of Education of Tamaulipas** (SET), thus promoting education.



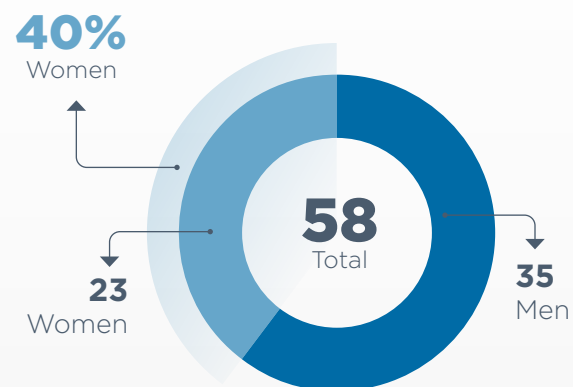
WE HAVE SIX AGREEMENTS WITH UNIVERSITIES AND 130 STUDENTS HAVE COMPLETED THEIR INTERNSHIPS AT AXTEL.

As part of our commitment to education and the reduction of the digital divide, **we donated high-speed Internet links** to the Centro de Bachillerato Tecnológico Agropecuario No. 200 school in the community of Sánchez Magallanes, Tabasco, benefiting more than 995 students and teachers.

Similarly, we forge partnerships with universities, through which we support and promote the talent of young people in a professional internship scheme.

Students who completed internships

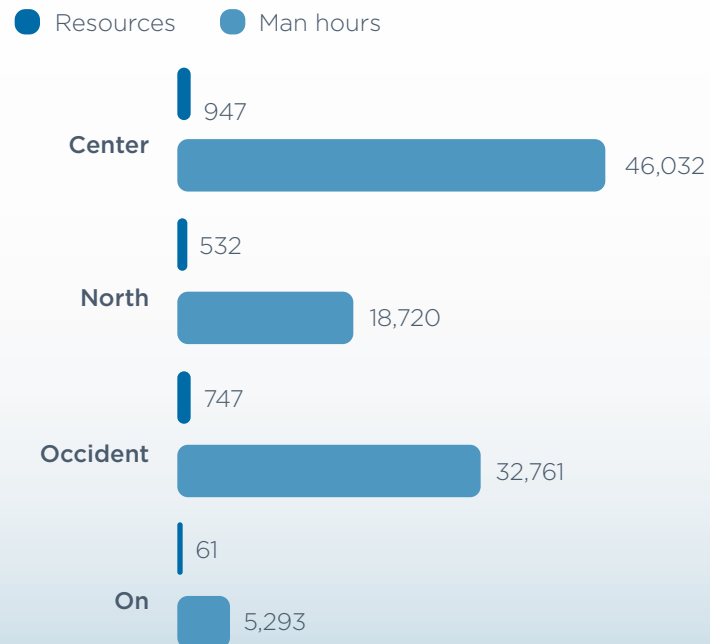
Centro Universitario de Ciencias Exactas e Ingeniero	1
Instituto Politécnico Nacional	2
Instituto Tecnológico y De Estudios Superiores de Monterrey	1
Universidad Autónoma de Nuevo León	44
Universidad Autónoma Metropolitana Azcapotzalco	1
Universidad de Cuautitlán Izcalli	1
Universidad Metropolitana de Monterrey	5
Universidad Tec Milenio	2
Universidad Tecnológica de Cancún	1



Contribution to the modernization of the country

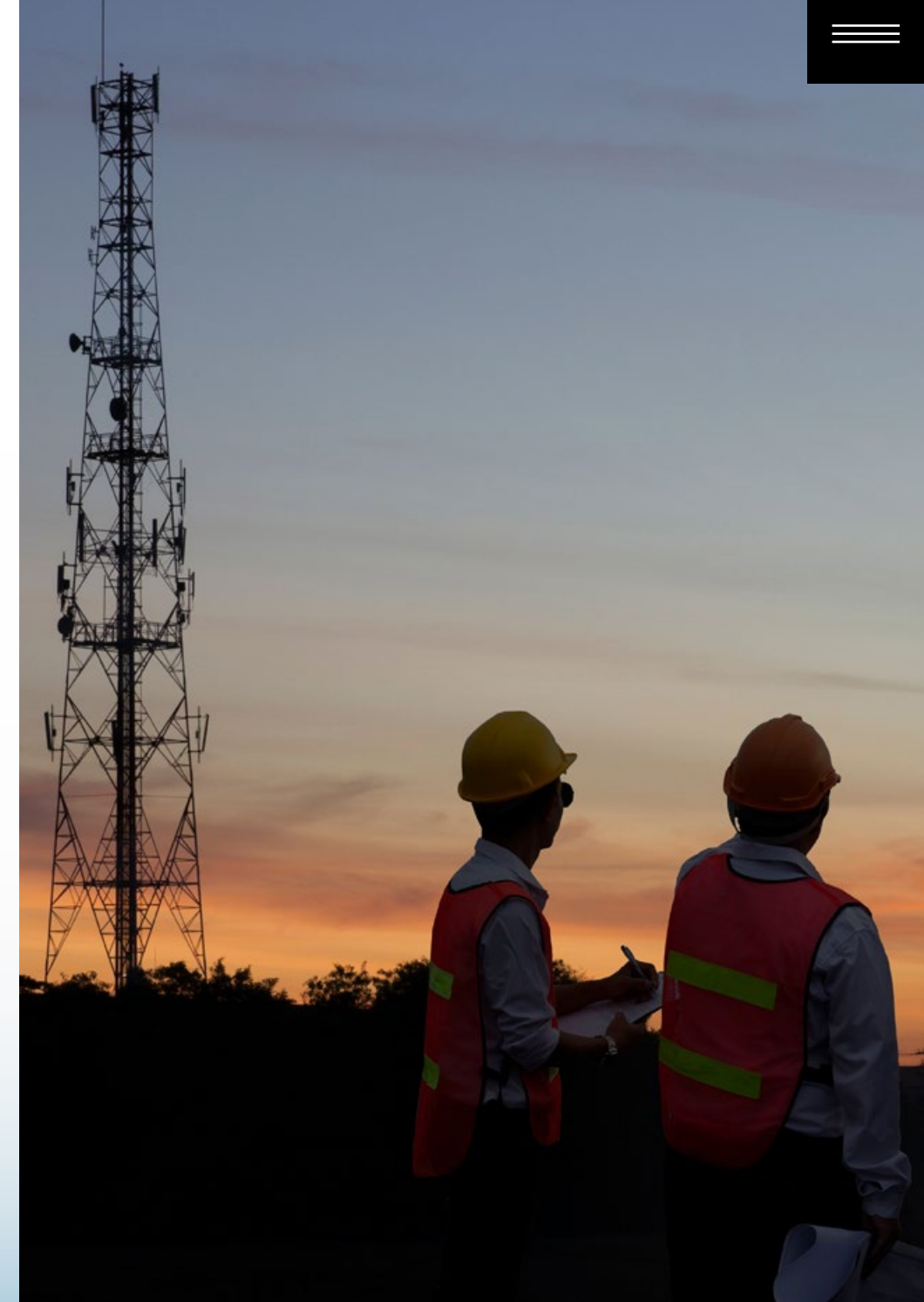
During the year, we participated with the federal, state and municipal governments throughout the national territory conducting the rearrangement of aerial fiber optic cables, eliminating disused cabling and leaving the useful cables with a standardized height and without agglomeration on the poles. We are also working on projects to eliminate overhead cables, channeling Axtel's infrastructure underground, contributing to the reduction of visual pollution.

Fiber optic and overhead relocation by region




2,287
employees


102,806
Man hours





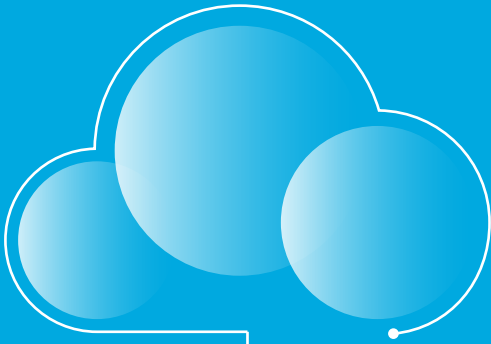
In addition, Axtel has been present in various projects at the federal level in which we have participated in the following way:

- Participation in eight major works, including railway and airport works, adjusting the fiber optic infrastructure to reduce the impact of the relocations required by these projects.
- At the metropolitan level, fiber optic infrastructure has been implemented in projects related to new road developments, road distributors and bridges in different cities of the country.
- In total, we participated in 655 projects, in which 2,287 people collaborated (including employees and suppliers), representing 102,806-man hours.



Region	Long distance	Long distance / magnum opus	Metropolitan	Metropolitan / magnum opus	Total
Center	-	1	305	-	306
North	55	-	121	-	176
Occident	55	-	87	-	142
South	13	4	11	3	31
Total	123	5	524	3	655





Axtel, S. A. B. de C. V. and subsidiaries

Management's Discussion and Analysis on the Company's Operating Results and Financial Situation

2023



MANAGEMENT'S DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATING RESULTS AND FINANCIAL SITUATION

Operating results for the years ended December 31, 2023 and
December 31, 2022

REVENUES

Full-year 2023 revenues totaled Ps. \$10,956 million, a 4.5% gain compared to Ps. \$10,480 million during 2022, due to 5.3% and 22.1% increases in Enterprise and Government segment revenues, respectively, mitigating a 7.4% decrease in the Wholesale segment.

The Company's revenues come from the following segments according to the market they attend to:

WHOLESALE SEGMENT (INFRASTRUCTURE)

Full-year 2023 revenues totaled Ps. \$1,790 million, a 7.4% decrease compared to Ps. \$1,933 during 2022, mainly explained by a decline in wholesale connectivity access revenues with multinational operators and a lower level of up-front, dark fiber contract revenues.

ENTERPRISE SEGMENT

During 2023, revenues from the Enterprise Segment totaled Ps. \$7,936 million, a 5.3% increase compared to Ps. \$7,539 million during 2022, mainly driven by increases of 10.7% and 14.9% in value-added services and digital transformation, respectively.

- **Standard Services.** In 2023, Standard Services revenues totaled Ps. \$4,897 million, a marginal increase of 0.8% compared to Ps. \$4,856 million during 2022, due to a 3.5% gain in connectivity and hosting revenues, mitigated by a 12.7% decrease in voice, which represented 9% of total Enterprise revenues in 2023, compared to 11% in 2022.
- **Value-Added Services.** Value-Added revenues in the Enterprise Segment in 2023 totaled Ps. \$1,148 million, representing a 10.7% gain in comparison to Ps. \$1,037 million during 2022, due to an increment of 28.7% in managed services, mitigated by an 18.5% decrease in system integration.
- **Digital Transformation.** During 2023, revenues totaled Ps. \$1,892 million, a 14.9% gain compared to Ps. \$1,647 million during 2022, showing a positive performance across all its business lines, particularly cybersecurity and cloud.

GOVERNMENT SEGMENT

Government Segment revenues during 2023 totaled Ps. \$1,230 million, compared to Ps. \$1,007 million during 2022, a 22.1% increase, evidencing the success of the strengthened commercial vision and Government segment team, implemented more than a year ago.

- **Standard Services.** In 2023, revenues totaled Ps. \$424 million, representing a 5.4% decrease compared to 2022, mainly due to a decline in Data and Internet solutions, partially mitigated by higher revenues from VPN and Ethernet services.
- **Value-Added Services.** During 2023, revenues totaled Ps. \$563 million, 77.4% greater compared to 2022, due to a strong increase in system integration solutions.



- **Digital Transformation.** Digital Transformation revenues in the Government Segment for 2023 totaled Ps. \$242 million, remaining unchanged compared to 2022.

GROSS PROFIT

Gross profit is defined as sales minus cost of revenues. For the year 2023, gross profit was Ps. \$5,687 million, 7.0% greater than 2022. Gross profit by segment, without considering the depreciation and amortization cost of sales, is explained below.

- **Enterprise.** Gross profit in 2023 was Ps. \$5,765 million, a 4.3% increase compared to 2022, in line with revenues.
- **Government.** Gross profit in 2023 totaled Ps. \$535 million, a 5.1% decrease compared to 2022. This is explained by higher non-recurring low-margin revenues and cancelations of excess cost provisions during 2022.
- **Wholesale.** Gross profit was Ps. \$1,487 million, a 6.9% decline year-over-year; aligned with the drop in revenues.

OPERATING EXPENSES AND OTHER INCOME (EXPENSES)

Selling and administrative expenses reached Ps. \$5,105 million in 2023, a 2.2% decrease compared to 2022. Selling and administrative expenses, excluding depreciation and amortization, decreased 0.6%, mainly due to a decline in bad debt provisions with a mobile wholesale operator customer recorded in 2022, mitigated by increases in personnel and tower lease expenses due to inflationary pressures in 2023.

Other income (expenses) in 2023 reached Ps. \$(6) million (including an extraordinary reorganization charge of Ps. \$388 million), compared to Ps. \$76 million a year ago.

EBITDA

Full-year 2023 Comparable EBITDA totaled Ps. \$3,430 million, excluding Ps. \$388 million extraordinary reorganization expenses, a 13.9% increase compared to Ps. \$3,011 million in 2022, explained by the increase in gross profit, decrease in expenses, and increase in other income, as previously mentioned. Margin increased from 29% in 2022 to 31% in 2023.

OPERATING INCOME

Full-year 2023 operating income totaled Ps. \$576 million compared to Ps. \$174 million in 2022, the increase is explained by lower D&A and higher Comparable EBITDA, partially mitigated by the extraordinary reorganization expenses in 2023 previously mentioned.

COMPREHENSIVE FINANCING RESULT

Full-year 2023 comprehensive financial cost of Ps. \$322 million was 24% higher than Ps. \$261 million cost in 2022, explained by a 17% increment in interest expense, mainly explained by the 2024 Senior Notes refinancing, including the redemption premium in July and higher interest rates. This was partially compensated by a higher FX gain of Ps. \$655 million in 2023 compared to Ps. \$511 million in 2022.



TAXES

During 2023, income tax represented a benefit in taxes of Ps. \$61 million, compared to a tax benefit of Ps. \$49 million in 2022. The variation is mainly due to the recognition of the effects of inflation in the Company's assets and an increase in provisions for liabilities.

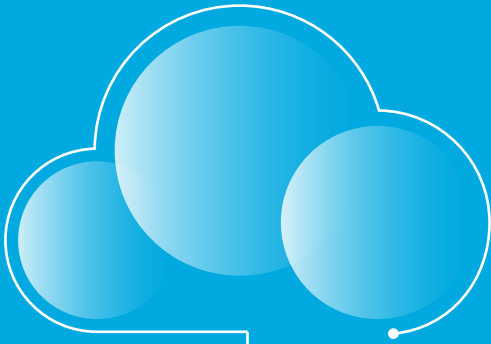
NET PROFIT

For 2023, net profit was Ps. \$314 million, compared to a net loss of Ps. \$39 million in 2022.

CAPITAL INVESTMENTS

For the year 2023, the capital investment in acquisitions of property, plant and equipment and intangibles totaled Ps. \$1,340 million, a 3.8% increase compared to Ps. \$1,291 million in 2022. Capex as a percentage of total revenues reached 12% in 2023, the same as the previous year.





Axtel, S. A. B. de C. V. and subsidiaries
(Subsidiary of Controladora Axtel, S. A. B. de C. V.)

Consolidated Financial Statements as of and for the Years Ended December 31, 2023, 2022 and 2021, and Independent Auditors' Report Dated January 31, 2024

2023



Table of contents

Axtel, S. A. B. de C. V. and subsidiaries
(Subsidiary of Controladora Axtel, S. A. B. de C. V.)

Independent Auditors' Report and Consolidated Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021

153 Independent Auditors' Report

157 Consolidated Statements of Financial Position

157 Consolidated Statements of Income

158 Consolidated Statements of Comprehensive Income (Loss)

158 Consolidated Statements of Changes in Stockholders' Equity

159 Consolidated Statements of Cash Flows

160 Notes to the Consolidated Financial Statements



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES

OPINION

We have audited the consolidated financial statements of Axtel, S. A. B. de C. V. and Subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2023, 2022 and 2021, the consolidated statements of income, the consolidated statements of comprehensive income (loss), the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and the explanatory notes to the consolidated financial statements, including information of the material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Axtel, S. A. B. de C. V. and Subsidiaries, as of December 31, 2023, 2022, and 2021, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance

with the Ethics Code issued by the Mexican Institute of Public Accountants ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTERS

The accompanying consolidated financial statements have been translated from Spanish to English for the convenience of readers.

KEY AUDIT MATTER

The key audit matter is the matter that, in our professional judgment, is of most significance in our audit of the 2023 consolidated financial statements. This matter was addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined that the matter described below is the key audit matter that should be communicated in our report.

ASSESSMENT OF IMPAIRMENT OF LONG-LIVED ASSETS

As described in Note 3 and 5 to the consolidated financial statements, the Company performs impairment tests to the long-lived assets.

We have identified management's assessment of impairment of long-lived assets with definite useful life and goodwill as a key audit matter, mainly due to the fact that impairment tests involve the application of judgments and significant estimates by the Company's management in determining the assumptions, premises, cash flows, budgeted income, and the selection of discount rates used to estimate the recoverable value of the cash generating unit ("CGU"), besides the relevance of the balance for the consolidated financial statements of the Company, which is made up of property, plant and equipment for \$8,253,618 thousand pesos, goodwill of \$322,782 thousand pesos, and intangible assets with



a definite useful life of \$741,397 thousand pesos. This requires a high level of judgement, an important increase in the level of audit effort and the incorporation of our expert valuation specialists.

We performed, among others, the following audit procedures on the following significant assumptions that the Company considered when estimating future projections to evaluate the recovery value of long-lived assets, among others; projections of income and expenses, expected gross and operating profit margins, discount rate, the industry growth rate, income projections, discount rate, comparison of the expected gross profit margin, projected flows. As follows:

- We tested the design and implementation of the controls on the determination of the recovery value and the assumptions used.
- We evaluated with the assistance of our valuation specialists, the reasonableness of the i) methodology for determining the recovery value of intangible assets with definite useful lives and goodwill and ii) we challenge the financial projections, comparing them with the performance and historical trends of the business and corroborating the explanations of the variations with the administration. Likewise, we evaluated internal processes and management's ability to accurately carry out projections, including the approval of these by the Board of Directors.
- We analyzed the projection assumptions used in the impairment model, specifically including the projections of cash flow, operating margins, profit margin before financial result, taxes, depreciation and amortization ("EBITDA") and long-term growth. We test the mathematical accuracy, completeness, and accuracy of the impairment model. The valuation

specialists performed a sensitivity analysis for the CGU, independent calculations of the recovery value to assess whether the assumptions used would need to be modified and the probability that such modifications would occur.

- We independently evaluated the applicable discount rates, comparing them with the discount rates used by management.

The results of our procedures were satisfactory.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Company's management is responsible for the additional information presented. Additional information includes: i) the Annual Stock Exchange Filing, ii) the information to be incorporated into the Annual Report that the Company is required to prepare in accordance with Article 33, section I, subsection b) of Title Four, Chapter One of the General Provisions Applicable to Issuers and other Participants of the Stock Market in Mexico and the Instructions that accompany these provisions (the "Provisions"). It is expected that the Annual Stock Exchange Filing and the Annual Report to be available for our reading after the date of this audit report; and iii) other additional information, which corresponds to measures that are not required by IFRS, and have been incorporated for the purpose of providing additional explanation to its investors and main readers of its consolidated financial statements to evaluate the performance of each of the operating segments and other indicators on the ability to meet obligations regarding the Earnings before interest, taxes, depreciation, amortization and asset impairment ("adjusted EBITDA") and the Business Unit Contribution ("BUC") of the Company, this information is presented in Notes 16 and 28.



Our opinion of the consolidated financial statements will not cover the additional information and we will not express any form of assurance about it.

In connection to our audit of the consolidated financial statements, our responsibility will be to read the additional information, when available, and in doing so, consider whether the financial information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise appears to contain a material error. When we read the Annual Report, we will issue the declaration on its reading, required in Article 33, Section I, subsection b), number 1.2. of the Provisions. Additionally, and in relation to our audit of the consolidated financial statements, our responsibility is to read and recalculate the additional information, which in this case are the measures not required by IFRS and in doing so, consider whether the other information contained therein is inconsistent in material form with the consolidated financial statements or with our knowledge obtained during the audit, or that seems to contain a material error. If based on the work we have performed, we conclude that there is a material error in the additional information, we are required to communicate the matter. As of the date of this report, we have nothing to inform in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's consolidated financial reporting process.

INDEPENDENT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement where it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the evasion of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements of the Company. We remain solely responsible of our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year 2023 and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Galaz, Yamazaki, Ruiz Urquiza, S.C.](#)
[Member of Deloitte Touche Tohmatsu Limited](#)

[C. P. C. Efraín Omar Fernández Mendoza](#)
[Monterrey, Nuevo León, México](#)
[January 31, 2024](#)



Axtel, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Axtel, S. A. B. de C. V.)

1 Consolidated Statements of Financial Position

As of December 31, 2023, 2022 and 2021
Thousands of Mexican pesos

	Note	2023	2022	2021
Assets				
Current assets:				
Cash and cash equivalents	6	\$ 1,207,174	\$ 1,542,831	\$ 1,613,697
Trade and other accounts receivable, net	7	1,814,136	1,928,725	2,492,754
Inventories	8	62,856	169,838	85,442
Derivative financial instruments	4	-	4,696	-
Prepayments	3.i	603,818	739,229	634,792
Total current assets		3,687,984	4,385,319	4,826,685
Non-current assets:				
Property, plant and equipment, net	9	8,253,618	9,044,067	10,132,948
Right-of-use asset, net	10	312,698	364,711	498,522
Goodwill and intangible assets, net	11	1,064,179	1,163,740	1,300,204
Deferred income taxes	19	2,961,659	2,957,955	2,856,110
Other non-current assets	12	429,015	435,605	359,990
Total non-current assets		13,021,169	13,966,078	15,147,774
Total assets		\$ 16,709,153	\$ 18,351,397	\$ 19,974,459
Liabilities and Stockholders' Equity				
Current liabilities:				
Debt	16	\$ 214,351	\$ 375,506	\$ 252,072
Lease liability	17	107,755	220,968	264,264
Trade and other accounts payable	13	1,798,753	2,582,573	2,844,167
Provisions	14	98,176	25,316	29,484
Deferred income	15	66,791	45,208	86,052
Derivative financial instruments	4	31,987	-	33,575
Total current liabilities		2,317,813	3,249,571	3,509,614
Non-current liabilities:				
Debt	16	10,155,319	11,184,614	12,607,365
Lease liability	17	153,109	99,990	219,990
Employee benefits	18	965,673	891,255	766,500
Deferred income taxes	19	404	75,560	1,134
Total non-current liabilities		11,274,505	12,251,419	13,594,989
Total liabilities		13,592,318	15,500,990	17,104,603
Stockholders' equity:				
Capital stock	20	454,621	454,621	464,368
Retained earnings		2,726,588	2,416,317	2,445,384
Other comprehensive loss		(64,374)	(20,531)	(39,896)
Total controlling interest		3,116,835	2,850,407	2,869,856
Non-controlling interest		-	-	-
Total stockholders' equity		3,116,835	2,850,407	2,869,856
Total liabilities and stockholders' equity		\$ 16,709,153	\$ 18,351,397	\$ 19,974,459

The accompanying notes are an integral part of these consolidated financial statements.

Axtel, S. A. B. de C. V. and subsidiaries
(Subsidiary of Controladora Axtel, S. A. B. de C. V.)

2 Consolidated Statements of Income

For the years ended December 31, 2023, 2022 and 2021
Thousands of Mexican pesos, except for earnings per share amounts

	Note	2023	2022	2021
Revenues	21	\$ 10,955,886	\$ 10,479,596	\$ 11,389,494
Cost of sales	22	(5,269,308)	(5,164,025)	(5,785,728)
Gross profit		5,686,578	5,315,571	5,603,766
Administration and selling expenses	22	(5,105,107)	(5,218,193)	(4,958,159)
Other (expenses) income, net	23	(5,730)	76,494	(353,359)
Operating income		575,741	173,872	292,248
Financial income	24	256,720	286,179	24,909
Financial expenses	24	(1,234,589)	(1,058,354)	(1,188,709)
Exchange fluctuation gain (loss), net	24	655,391	511,257	(277,595)
Financial result, net		(322,478)	(260,918)	(1,441,395)
Income (loss) before income taxes		253,263	(87,046)	(1,149,147)
Income taxes	19	61,043	48,232	352,405
Net consolidated income (loss)		\$ 314,306	\$ (38,814)	\$ (796,742)
Income (loss) attributable to:				
Controlling interest		314,306	(38,814)	(796,742)
Non-controlling interest		-	-	-
		\$ 314,306	\$ (38,814)	\$ (796,742)
Income (loss) per basic and diluted share		\$ 0.016	\$ (0.002)	\$ (0.040)
Weighted average common outstanding shares (thousands of shares)		19,809,648	19,824,236	19,829,510

The accompanying notes are an integral part of these consolidated financial statements.



Axtel, S. A. B. de C. V. and subsidiaries
(Subsidiary of Controladora Axtel, S. A. B. de C. V.)

3

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023, 2022 and 2021
Thousands of Mexican pesos

	Note	2023	2022	2021
Net consolidated income (loss)		\$314,306	\$(38,814)	\$(796,742)
Other comprehensive income (loss) for the year:				
Items that will be reclassified to the consolidated statement of income:				
Effect of currency translation	19	(2,881)	(1,446)	732
Fair value of derivative financial instruments, net of taxes		(25,964)	24,284	120,279
Items that will not be reclassified to the consolidated statement of income:				
Remeasurements of employee benefits, net of taxes	19	(14,998)	(3,473)	60,190
Total other comprehensive (loss) income for the year		(43,843)	19,365	181,201
Total comprehensive income (loss) of the year		\$270,463	\$(19,449)	\$(615,541)
Attributable to:				
Controlling interest		\$270,463	\$(19,449)	\$(615,541)
Non-controlling interest		-	-	-
Comprehensive income (loss) of the year		\$270,463	\$(19,449)	\$(615,541)

The accompanying notes are an integral part of these consolidated financial statements.

Axtel, S. A. B. de C. V. and Subsidiaries
(Subsidiary of Controladora Axtel, S. A. B. de C. V.)

4

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2023, 2022 and 2021
Thousands of Mexican pesos

	Capital stock	Retained earnings	Other comprehensive loss	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2021	\$ 464,368	\$3,252,002	\$(221,097)	\$3,495,273	\$ -	\$3,495,273
Transactions with stockholders:						
Repurchase of shares	-	(9,876)	-	(9,876)	-	(9,876)
Total transactions with stockholders		(9,876)	-	(9,876)	-	(9,876)
Net consolidated loss	-	(796,742)	-	(796,742)	-	(796,742)
Total other comprehensive income for the year	-	-	181,201	181,201	-	181,201
Comprehensive loss	-	(796,742)	181,201	(615,541)	-	(615,541)
Balances as of December 31, 2021	464,368	2,445,384	(39,896)	2,869,856	-	2,869,856
Transactions with stockholders:						
Cancellation of shares	(9,747)	9,747	-	-	-	-
Total transactions with stockholders	(9,747)	9,747	-	-	-	-
Net consolidated loss	-	(38,814)	-	(38,814)	-	(38,814)
Total other comprehensive income for the year	-	-	19,365	19,365	-	19,365
Comprehensive loss	-	(38,814)	19,365	(19,449)	-	(19,449)
Balances as of December 31, 2022	454,621	2,416,317	(20,531)	2,850,407	-	2,850,407
Transactions with stockholders:						
Repurchase of shares	-	(4,035)	-	(4,035)	-	(4,035)
Total transactions with stockholders	-	(4,035)	-	(4,035)	-	(4,035)
Net consolidated income	-	314,306	-	314,306	-	314,306
Total other comprehensive loss for the year	-	-	(43,843)	(43,843)	-	(43,843)
Comprehensive income	-	314,306	(43,843)	270,463	-	270,463
Balances as of December 31, 2023	\$ 454,621	\$2,726,588	\$ (64,374)	\$ 3,116,835	\$ -	\$ 3,116,835

The accompanying notes are an integral part of these consolidated financial statements.



5

Consolidated Statements of Cash Flowso

For the years ended December 31, 2023, 2022 and 2021

Thousands of Mexican pesos

	2023	2022	2021
Cash flows from operating activities			
Income (loss) before income taxes	\$ 253,263	\$ (87,046)	\$ (1,149,147)
Depreciation and amortization	2,450,587	2,806,263	3,179,364
Exchange fluctuation (gain) loss, net	(655,391)	(511,257)	277,595
Allowance for doubtful accounts	179,824	346,861	(2,600)
(Gain) loss from sale of property, plant and equipment	(78,417)	(25,449)	1,327
Interest income	(256,720)	(286,179)	(24,909)
Interest expense	1,234,589	1,058,354	1,188,709
Current PTU	9,968	10,545	5,426
Impairment of investments	-	22,844	290,114
Others	(28,763)	6,318	36,114
Changes in working capital:			
Trade and other accounts receivable, net	(287,175)	145,531	505,562
Inventories	108,874	(81,592)	20,049
Trade accounts payable and other accounts payable	(186,088)	(268,569)	(677,132)
Employee benefits	52,992	119,794	109,638
Paid PTU	(4,830)	(5,411)	(5,973)
Deferred income	21,583	(40,844)	(30,002)
Subtotal	2,814,296	3,210,163	3,724,135
Income taxes paid	(4,428)	(2,312)	(432,580)
Net cash flows generated by operating activities	2,809,868	3,207,851	3,291,555
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(1,311,101)	(1,306,677)	(1,290,512)
Disposal of property, plant and equipment	-	40,209	-
Acquisition of intangible assets	(29,306)	(24,784)	(242,000)
Interest received	29,637	83,945	24,909
Restricted cash	-	-	258,891
Notes receivable	(25)	-	(19,579)
Net cash flows used in investing activities	(1,310,795)	(1,207,307)	(1,268,291)
Cash flows from financing activities			
Proceeds of current and non-current debt	7,992,451	-	-
Payments of current and non-current debt	(8,060,864)	(776,735)	(2,174,476)
Lease payments	(218,498)	(276,453)	(332,412)
Repurchase of shares	(4,035)	-	(9,876)
Interest paid and other financial expenses	(1,440,072)	(987,103)	(1,084,878)
Net cash flows used in financing activities	(1,731,018)	(2,040,291)	(3,601,642)
Net decrease of cash and cash equivalents	(231,945)	(39,747)	(1,578,378)
Effect of changes in exchange rateso	(103,712)	(31,119)	68,120
Cash and cash equivalents at the beginning of the year	1,542,831	1,613,697	3,123,955
Cash and cash equivalents at the end of the year	\$ 1,207,174	\$ 1,542,831	\$ 1,613,697
Non-cash investing activities	\$ -	\$ 36,769	\$ -

.The accompanying notes are an integral part of these consolidated financial statements



Axtel, S. A. B. de C. V. and subsidiaries
(Subsidiary of Controladora Axtel, S. A. B. de C. V.)

6 Notes to the Consolidated Financial Statements

As of and for the years December 31, 2023, 2022 and 2021

Thousands of Mexican pesos, unless otherwise indicated

1. GENERAL INFORMATION

Axtel, S. A. B. de C. V. and subsidiaries (“Axtel” or the “Company”) was incorporated in Mexico as a capital stock company. Axtel’s corporate offices are located at Avenida Munich No. 175 Colonia Cuauhtémoc, 66450 San Nicolás de los Garza, Nuevo León, Mexico.

Axtel is a publicly owned corporation, whose shares are registered at the National Securities Registry and are traded at the Mexican Stock Exchange (“Bolsa Mexicana de Valores” in Spanish) through Certificates of Participation (“CPOs”) issued under the Trust whose trustee is Nacional Financiera, Sociedad Nacional de Crédito, Development Finance Institution. The Company is a subsidiary of Controladora Axtel, S. A. B. de C. V. (“Controladora Axtel”) as of May 29, 2023, due to the fact that, on that date, the conditions precedent defined in the General Extraordinary Meeting of Alfa S.A.B. de C.V. (“ALFA”) held on July 12, 2022 with a retroactive effect to that date (Note 2.e and 2.h).

The Company is an Information and Communication Technology company that serves the enterprise, government and wholesale markets, through its business units. The business and government portfolios include advanced solutions for managed networks, collaboration and information technology (IT) such as systems integration, cloud services, cybersecurity, among others. On the other hand, the connectivity solutions of the wholesale unit for wholesale clients or operators include last-mile access, IP transit, spectrum, fiber to the tower and fiber to the data center, among others. Concessions are required to provide

these services and conducting the Company’s business activities. See Note 11.

Axtel conducts its activities through subsidiary companies of which it is the owner or of which it controls directly most of the common shares representing their capital stock. See Note 3.c.

When reference is made to the controlling entity Axtel, S. A. B. of C. V. as an individual legal entity, it will be referred to as “Axtel SAB”.

In the following notes to the consolidated financial statements, references to pesos or “\$” mean thousands of Mexican pesos; additionally, reference to dollars or “US\$” mean thousands of U.S. dollars, unless otherwise indicated for both cases.

2. RELEVANT EVENTS

2023

a Purchase of Senior Notes

On January 17, 2023, the Company announced that it had initiated an offering to purchase up to US\$75 million of principal of its 2024 Senior Notes. On January 31, 2023, the results of the early offering were announced, where the 2024 Senior Notes offered by the holders and accepted by the Company was for US\$77.7 million. In relation to this, the Company increased the offer limit from US\$75 million to US\$120 million and extended the early offer date to February 13, 2023, the expiration date of the offer. As of February 13, 2023, the 2024 Senior Notes offered by the holders and accepted for purchase by Axtel were for US\$88.6 million, leaving a balance of US\$313.6 million for the 2024 Senior Notes, which were repurchased during the year (Note 2.f).



Derived from this operation, the Company immediately recognized in the consolidated statement of income, the corresponding debt issuance costs, related to the Senior Notes mentioned above that were pending amortization on said date for \$8,711.

b Debt

On January 26, 2023, the Company signed a credit agreement with Export Development Canada for an amount of US\$100 million, of which US\$40 million was drawn down on February 13, 2023, with maturities from January 2027 to January 2028. and a 1-month SOFR variable interest rate plus an applicable margin of 3.55%. On July 19, 2023, the remaining US\$60 million was drawn down with the same maturity and rate.

On January 27, 2023, the Company drew down \$200 million pesos from its revolving committed line with BBVA México, maturing in July 2024 and a variable interest rate of TIIE 28d + 1.75 percentage points. This credit was settled on April 26, 2023.

The resources from these loans were used to repurchase the Senior Notes mentioned in the previous section.

On May 25, 2023, the Company drew down \$180 million pesos from its line committed to Export Development Canada, with a maturity on June 25, 2024, and a variable interest rate of TIIE 1.75%.

On April 27, 2023, the Company signed a loan for US\$210 million and \$971.5 million to refinance all senior notes due 2024. The redemption became effective on July 21, 2023. The new loan has quarterly payments at principal starting in July 2025 and until maturity in April 2028, has an interest rate for the peso portion of TIIE plus 3.25%, and an interest rate for the dollar portion of SOFR plus 3.25%.

Derived from this operation, the Company immediately recognized in the consolidated statement of income, the corresponding debt issuance costs, related to the Senior Notes mentioned above that were pending amortization on that date for \$25,219.

c Merger of subsidiary companies

At the General Extraordinary Shareholders' Meeting held on March 7, 2023, the merger by incorporation of Alestra Innovación Digital, S. de R.L. de C.V., Estrategias en Tecnología Corporativa, S.A. de C.V. and Allied Inmuebles, S.A. de C.V. (merged companies) in Axtel S.A.B. de C.V. was approved; which will subsist with the same corporate name as a merging company and will take charge of the rights and obligations of the merged companies. In addition, it was resolved that the merger takes full effect between parties and third parties as of April 1, 2023; This merger has no impact on the Company's consolidated operations.

d Reserve for the repurchase of stocks

At the Ordinary General Shareholders' Meeting held on March 7, 2023, it was approved to create a reserve for share repurchases of \$100 million pesos. Additionally, it was resolved that said maximum amount of resources remain in force during the following fiscal years, unless an Ordinary Shareholders' Meeting resolves to allocate a different amount to the purchase of own shares.

As of December 31, 2023, 28,938,371 shares were repurchased.

As of December 31, 2023, the balance of the reserve for share repurchase is \$95,965.



e Spin-off of ALFA's equity participation in Axtel and creation of Controladora Axtel

On May 19, 2023, the Company announced that Controladora Axtel, S.A.B. de C.V. ("Controladora Axtel"), a company resulting from the spin-off of Alfa, S.A.B. de C.V., received authorization from the National Banking and Securities Commission ("CNBV" for its acronym in Spanish) for the registration of its shares in the National Securities Registry.

The distribution of Controladora Axtel shares represents the end of the spin-off process approved by ALFA shareholders on July 12, 2022. As a result of the transaction, ALFA shareholders received one share of Controladora Axtel for each ALFA share they owned.

The number of shares of the Company remained unchanged. Controladora Axtel began trading on the Stock Exchange on May 29, 2023, the date from which the Company is a subsidiary of Controladora Axtel due to the fact that on that date the suspensive conditions defined at the Alfa Shareholders' Meeting were met. Controladora Axtel, the latest holding company of the Group, exercises control and is the owner of 53.9% of the shares representing the Company's capital stock.

f Prepayment of Senior Notes

On June 16, 2023, Axtel announced that it decided to prepay the entire principal of US \$313.6 million of its Senior Notes with a coupon of 6.375% due in 2024. The prepayment occurred on July 21, 2023, at a price equal to 101.594% of the total principal, plus accrued interest. Axtel financed the prepayment of the Notes with existing bank loans announced on May 9, 2023, including a 5-year loan with development banks, as well as a bank loan with nine financial institutions for a 5-year term. Once the prepayment is made, the Company extended the average life of its debt by approximately 3 to 5 years.

g Debt

On December 6, 2023, Axtel formalized a loan for US\$60 million with the International Finance Corporation ("IFC"), a member of the World Bank Group, maturing on November 15, 2030, linked to commitments in environmental and social matters. The long-term loan will allow Axtel to finance the strategic deployment of its fiber optic network to telecommunications towers and data centers, promoting the development of digital infrastructure in Mexico, as well as extending the maturity profile of its debt.

2022

h Approval of the spin-off of ALFA's equity participation in Axtel and creation of Controladora Axtel

On July 12, 2022, Alfa SAB Stockholders approved the spin-off of its entire ownership interest in Axtel. Alfa SAB carried out the process as a spinor company and a variable capital stock corporation was incorporated as the spinnee company ("Controladora Axtel"), has been listed on the Mexican Stock Exchange.

The process was subject to certain conditions precedent, among which is the registration of Controladora Axtel as an issuer listed on the Mexican Stock Exchange, which as of December 31, 2022, had not been completed.

i Appointment of new CEO

The Company announced Armando de la Peña González as its Chief Executive Officer ("CEO") as of May 1, 2022.

On April 26, Axtel's Board of Directors unanimously approved this appointment. Eduardo Escalante Castillo, Axtel's Acting CEO since January



22, 2021, returned full-time to his duties as Alfa's Finance Director.

j Impairment in investment in shares and accounts receivable from Altán Redes S.A.P.I. de C.V. ("Altán")

The Company had a stockholding equivalent to 0.42% in Altán's capital stock as of December 31, 2022. Likewise, Axtel is a supplier of telecommunications and IT services for Altán.

On November 12, 2021, Altán was declared in concurso mercantil (commercial insolvency) and from the day of publication of the judgment in the Official Federal Gazette, Altán has an initial conciliation period of 185 calendar days that may be extended for two more periods of 90 calendar days.

In November 2022, Altán announced that, on October 28, 2022, the First District Court for Commercial Bankruptcy agreed to approve the bankruptcy agreement as an enforceable judgment, thus concluding its commercial insolvency process.

As a result of the foregoing, Management recognized an impairment of \$21,966 and \$290,114 in 2022 and 2021, respectively, for the value of its investment (See Note 23). As of December 31, 2023, 2022 and 2021, the net balance receivable from Altán amounts to \$25,736, \$31,262 and \$304,429, respectively, before considering value added tax.

k Repurchase of Senior Notes

During the 2022 fiscal year, the Company made repurchases of its Senior Notes due in 2024 and coupon of 6.375%, for a total of \$754,318 (US\$37,777) of principal. As of December 31, 2023, the Senior Notes due in 2024 were prepaid, leaving no outstanding balance as of that date.

Derived from this operation, the Company immediately recognized in the consolidated statement of income, the corresponding debt issuance costs, related to the Senior Notes that were outstanding which amounted \$4,505.

2021

l Effects of COVID-19

On March 11, 2020, the World Health Organization declared a pandemic due to the infectious disease caused by the SARS-COV2 virus (hereinafter "COVID-19"). COVID-19 had and continues to have strong impacts on health, economic, and social systems worldwide.

The Company, through its subsidiaries, takes steps to counteract the effects that COVID-19 has had on the economic markets in which it participates, focusing on strengthening operating and financial performance by constantly monitoring its cost structure, key business processes, and a commitment to its employees, through a special focus, on the redefinition and capitalization of experiences; related to the remote work scheme; maintain a solid liquidity structure through detailed management of cashflows; and constant monitoring of its financial position to ensure compliance with the stipulated covenants, and its key financial ratios.

During the year ended December 31, 2021, the impacts directly attributable to COVID-19 were negative. Revenues in 2021 decreased by \$55,300 from 2020, primarily due to the negative effects of the global semiconductor chip shortage and logistics delays, resulting in the cancellation of time-sensitive projects and a general delay in project implementation times.

The Company continued monitoring the development of its business, in



accordance with the government regulations of the different countries where it operates and responding in a timely manner to changes as they arise.

m Succession in General Management

On January 22, 2021, the Company announced the beginning of its CEO succession process, as Rolando Zubirán Shetler, CEO of the Company, decided to retire. Axtel's Board of Directors appointed Eduardo Escalante Castillo as Acting CEO as of this date, and during the selection process for the new CEO.

n Prepayment of Senior Notes

On March 3, 2021, the Company prepaid the aggregate principal amount of \$1,197,210 (US\$60 million) of the 6.375% Senior Notes due in 2024 (the "Notes"), with the objective of strengthening its financial structure and reducing interest expense.

Following this prepayment, the aggregate principal amount of Notes outstanding is US\$440 million. The partial prepayment was made with cash funds obtained in the data center transaction carried out in 2020.

Derived from this prepayment, the Company immediately recognized the corresponding transaction costs, related to the Senior Notes mentioned above, in the consolidated statement of income as of that date for \$13,899.

o Credit renewal with Export Development Canada

On May 25, 2021, the Company entered into an agreement with Export Development Canada for the renewal of the bilateral committed revolving loan agreement for up to US \$50 million, or its equivalent in pesos, extending

its maturity from June 2021 to June 2024. As of December 31, 2021, the drawn amount was US \$27 million and Ps. 50 million of said credit. For the portion in pesos, the interests are payable monthly at a rate of TIIE 28 days + 1.75%, while for the portion in dollars they are payable monthly at a rate of Libor 1M + 2.00%.

p Debt prepayment

On September 27, 2021, the Company prepaid \$400,560 (US\$20 million) of the principal of the loan in US dollars maintained with Export Development Canada maturing in 2024 and interest rate of Libor 1M + 2.00%. After this prepayment, the amount outstanding of the loan in its US dollar portion is US\$27 million.

Derived from this prepayment, the Company immediately recognized the unamortized transaction costs in the consolidated statement of income as of that date for \$481.

q Impairment in investment in shares and accounts receivable from Altán Redes S.A.P.I. of C.V. ("Altán")

The Company had a stockholding equivalent to 1.96% in Altán's capital stock as of December 31, 2021, 2020 and 2019. Likewise, Axtel is a supplier of telecommunications and IT services for Altán.

On November 12, 2021, Altán was declared in concurso mercantil (commercial insolvency) and from the day of publication of the judgment in the Official Federal Gazette, Altán has an initial conciliation period of 185 calendar days that may be extended for two more periods of 90 calendar days.

As a result of the foregoing, Management recognized an impairment of \$290,114 (See Note 23). As of December 31, 2021, the net balance receivable from Altán amounts \$304,429, before considering value added tax ("VAT").



Additionally, the Company had a note receivable from Altán for \$20,180.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following are the most material accounting policies followed by Axtel and its subsidiaries, which have been consistently applied in the preparation of their financial information in the years presented, unless otherwise indicated:

a Basis of preparation

The consolidated financial statements of Axtel have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). IFRS include International Accounting Standards (“IAS”) in force and all related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), including those previously issued by the Standard Interpretations Committee (“SIC”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Additionally, it requires management to exercise judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, as well as the areas where judgments and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

b Changes in accounting policies and disclosures

1. New standards and modifications adopted by the Company

In the current year, the Company has applied a series of amendments to IFRS issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2023. The conclusions related to their adoption are described as follows:

Amendments to IAS 1, and Practice Statement 2 - Disclosure of accounting policies

The amendments change the requirements to IAS 1 regarding the disclosure of accounting policies. The amendment replaces the terms “significant accounting policies” with “material accounting policies information.” Accounting policy information is material when it is considered that, together with other information included in the financial statements of an entity, it can influence the decision making of the primary users of the financial statements of general use and that they are made in the basis for said financial statements.

The supporting paragraphs in IAS 1 are amended to clarify information on accounting policies that relate to immaterial transactions, other events or conditions that are themselves material. Accounting policy information may be material due to the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has developed guidance and examples to explain and demonstrate the application of the “four steps of the materiality process” described in the IFRS Practice 2 Statements.



The Company carried out an analysis of its accounting policies and, as a result of said analysis, made minimal changes

Amendments to IAS 8 – Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty.”

The definition of a change in accounting estimates was eliminated. The Company evaluated the amendments to IAS 8 and determined that the implementation of these amendments had no effects on its financial information.

Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

The amendments introduced a further exception from the initial recognition. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria in IAS 12.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The Company evaluated the amendments to IAS 12 and determined that the implementation of these amendments had no effects on its financial information.

AMENDMENTS TO IAS 12, INTERNATIONAL TAX REFORM –PILLAR TWO MODEL RULES

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The Company doesn't participate in any jurisdiction in which this income tax has been enforced.

The Company evaluated the modifications to IAS 12 and determined that the implementation of these modifications had no effects on its financial information.

II. New, revised and issued IFRS, but not yet effective

As of December 31, 2023, the Company has not applied the following modifications to IFRS, that have been issued but not yet effective, from which the Company does not expect to have a material impact on its consolidated financial statements in future periods, considering that they are not significant applicability. The Company expects that the impacts will be mainly related to the disclosures included in its consolidated financial statements, mainly due to the modifications to IAS 7 and IFRS 7. The modifications to the IFRS are included below:

- Amendments to IFRS 16 – Lease liability in a sale and leaseback ⁽¹⁾
- Amendments to IAS 1 and IFRS 7 – Supplier financing agreements⁽¹⁾



- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current ⁽¹⁾
- Amendments to IAS 1 – Classification of debt with covenants ⁽¹⁾
- Amendments to IAS 21 – Lack of exchangeability ⁽²⁾

(1) Effective for annual reporting periods beginning on January 1, 2024

(2) Effective for annual reporting periods beginning on January 1, 2025

C Consolidation

I. Subsidiaries

The subsidiaries are all the entities over which the Company has control. The Company controls an entity when it is exposed or has the right to variable returns from its interest in the entity and it is capable of affecting the returns through its power over the entity. When the Company's interest in subsidiaries is less than 100%, the interest attributed to external stockholders is recorded as non-controlling interest. Subsidiaries are fully consolidated in the date on which control is transferred to the Company and up to the date it loses such control.

The accounting method used by the Company for business combinations is the acquisition method. The Company defines a business combination as a transaction in which it gains control of a business, and through which it is able to direct and manage the relevant activities of the set of assets and liabilities of such business with the purpose of providing a return in the form of dividends, smaller costs or other economic benefits directly to stockholders.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Company. The consideration transferred includes the

fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquire based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The Company accounts for business combinations using the predecessor method in a jointly controlled entity. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquiree. Any difference between the transferred consideration and the carrying amount of the net assets acquired at the level of the subsidiary are recognized in equity.

The acquisition-related costs are recognized as expenses when incurred.

Goodwill is initially measured as excess of the sum of the consideration transferred and the fair value of the non-controlling interest in the subsidiary acquired over the net identifiable assets and liabilities assumed. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

If the business combination is achieved in stages, the book value at the acquisition date of the interest previously held by the Company in the acquired entity is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recorded in results of the year.



Transactions and intercompany balances, as well as unrealized gains on transactions between Axtel companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the amounts reported by subsidiaries have been modified where it was deemed necessary.

As of December 31, 2023, 2022 and 2021, the main subsidiary companies of Axtel were as follows:

	Country	Porcentaje (%) de tenencia			Functional currency
		2023	2022	2021	
Axtel, S. A. B. de C. V. (Holding company) ^{(2) (6)}	Mexico				Mexican Peso
Alestra Innovacion Digital, S. de R. L. de C. V. ^{(2) (6)}	Mexico	-	100	100	Mexican Peso
Alestra USA, Inc. ⁽¹⁾	USA	100	100	100	U.S. dollar
S&C Constructores de Sistemas, S. A. de C. V. ("S&C")	Mexico	100	100	100	Mexican Peso
Estrategias en Tecnología Corporativa, S. A. de C. V. ("Estratel") ^{(2) (6)}	Mexico	-	100	100	Mexican Peso
Servicios Alestra TI, S. A. de C. V. ⁽²⁾	Mexico	100	100	100	Mexican Peso
Alestra Procesamiento de Pagos, S. A. de C. V. ^{(2) (3)}	Mexico	100	100	100	Mexican Peso
Alestra Servicios Móviles, S. A. de C. V. ⁽²⁾	Mexico	100	100	100	Mexican Peso
Fomento de Educación Tecnológica, S. C. ⁽⁴⁾	Mexico	100	100	100	Mexican Peso
Axtel Networks, S. A. de C. V.	Mexico	100	100	100	Mexican Peso
AXE Redes e Infraestructura, S. A. de C. V.	Mexico	100	100	100	Mexican Peso
Allied Inmuebles, S.A. de C.V. ^{(5) (6)}	Mexico	-	100	-	Mexican Peso

(1) Leasing of telecommunications and infrastructure equipment.

(2) Provider of telecommunication services.

(3) At the General Extraordinary Stockholders' Meeting held on December 1, 2021, the stockholders agreed to merge Servicios Axtel, S.A. de C.V., Axes Data, S.A. de C.V., Contacto IP, S.A. de C.V., Instalaciones y Contrataciones, S.A. de C.V., and Ingeniería de Soluciones Alestra, S.A. de C.V. (as merged companies) with Alestra Procesamiento de Pagos S.A. de C.V. (as merging company); this merger has no impact on the Company's operations at the consolidated level.

(4) Training and development services.

(5) Real estate administration. Acquired in March 2022.

(6) At the General Extraordinary Stockholders' Meeting held on March 7, 2023, the merger by incorporation of Alestra Innovación Digital, S. de R.L. de C.V., Estrategias en Tecnología Corporativa, S.A. de C.V. and Allied Inmuebles, S.A. of C.V. (merged companies) in Axtel S.A.B. of C.V. was approved; these will subsist with the same corporate name as a merging company and will take charge of the rights and obligations of the merged companies. In addition, it was resolved that the merger takes full effect between parties and third parties as of April 1, 2023; This merger has no impact on the Company's consolidated operations.

As of December 31, 2023, 2022 and 2021, there are no significant restrictions for the investment in shares of the subsidiary companies mentioned above.

II. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, that is, an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment in shares before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control, the dilution effect is recognized in income.

When the Company issues a call option on certain non-controlling interests in a consolidated subsidiary and the non-controlling stockholders retain the risks and benefits over such interests in the consolidated subsidiary, these are recognized as financial liabilities at the present value of the amount to be reimbursed from the options, initially recorded with the corresponding reduction in equity and subsequently accruing through financial charges in results during the contractual period.

III. Sale or disposal of subsidiaries

When the Company ceases to have control, any retained interest in the entity is remeasured at fair value, and the change in the carrying amount is recognized in the consolidated statement of income. The fair value is the initial carrying amount for accounting purposes for any subsequent retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive (loss) income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This



results in the amounts previously recognized in comprehensive (loss) income being reclassified to income for the year.

d Foreign currency translation

I. Functional and presentation currency

The amounts included in the financial statements of each of the Company's subsidiaries should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Mexican pesos, which is the Company's presentation currency. Note 3c describes the functional currency of the Company and its subsidiaries.

When there is a change in the functional currency of one of the subsidiaries, according to the International Accounting Standard 21 – Effects of Changes in Foreign Currency Exchange Rates ("IAS 21"), this change is accounted for prospectively, translating at the date of the functional currency change, all assets, liabilities, equity and income items at the exchange rate on that date.

II. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the transaction date or valuation date when the amounts are remeasured. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognized as foreign exchange gain or loss in the consolidated statement of income, except for those which are deferred in comprehensive (loss) income and qualify as cash flow hedges.

The exchange differences in monetary assets classified as financial

instruments at fair value with changes through profit or loss are recognized in the consolidated statement of income as part of the gain or loss in fair value.

Translation of subsidiaries with recording currency other than the functional currency

The financial statements of foreign subsidiaries, having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

- a. The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rate.
- b. To the historical balances of monetary assets and liabilities and stockholders' equity translated into the functional currency the movements that occurred during the period were added, which were translated at historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.
- c. Revenues, costs, and expenses of the periods, expressed in the recording currency, were translated at the historical exchange rates of the date they were accrued and recognized in the consolidated statement of income, except when they arose from non-monetary items, in which case the historical exchange rate of the non-monetary items was used.
- d. The exchange differences arising in the translation are recognized in the consolidated statement of income in the period they arose.



The primary exchange rates in the different translation procedures are listed below:

Country	Local currency	LOCAL CURRENCY TO MEXICAN PESOS					
		Closing exchange rate as of December 31,			Average annual exchange rate		
		2023	2022	2021	2023	2022	2021
United States	U.S. dollar	16.89	19.36	20.58	17.61	20.06	20.38

e Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high credit-quality and liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value.

f Financial instruments

Financial assets

The Company classifies and measures its financial assets based on the Company's business model to manage financial assets, and on the characteristics of the contractual cash flows of such assets. This way financial assets can be classified at amortized cost, at fair value through other comprehensive (loss) income, and at fair value through profit or loss. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized at settlement date.

Financial assets are entirely written off when the right to receive the related cash flows expires or is transferred, and the Company has also substantially

transferred all the risks and rewards of its ownership, as well as the control of the financial asset.

Classes of financial assets

I. Financial assets at amortized cost

Financial assets at amortized cost are financial assets that i) are held within a business model whose objective is to hold said assets in order to collect contractual cash flows and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal.

II. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, in addition to those described in point i in this section, are financial assets that do not meet the characteristics to be measured at amortized cost or fair value through other comprehensive (loss) income, since i) they have a business model different to those that seek to collect contractual cash flows, or collect contractual cash flows and sell the financial assets, or otherwise ii) the generated cash flows are not solely payments of principal and interest on the amount of outstanding principal.

Impairment of financial assets

The Company uses a new impairment model based on expected credit losses rather than losses incurred, applicable to financial assets subject to such assessment (i.e., financial assets measured at amortized cost and at fair value through other comprehensive (loss) income), as well as lease receivables, contract assets, certain written loan commitments, and financial guarantee contracts. The expected credit losses on these financial assets are estimated



from the initial recognition of the asset at each reporting date, using as a reference the past experience of the Company's credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an assessment of both, the current management and the forecast of future conditions.

a. *Trade accounts receivables*

The Company adopted a simplified expected loss calculation model, through which expected credit losses during the accounts payable's lifetime are recognized.

The Company carries out an analysis of its portfolio of accounts receivable from clients, in order to determine if there are significant clients for whom it requires an individual evaluation; on the other hand, customers with similar characteristics that share credit risks (participation in the portfolio of accounts receivable, market type, sector, geographic area, etc.), are grouped to be evaluated collectively.

In its impairment assessment, the Company may include indications that the debtors or a group of debtors are experiencing significant financial difficulties, as well as observable data indicating that there is a significant decrease in the estimate of the cash flows to be received, including delays.

For purposes of the previous estimate, the Company considers that the following constitutes an event of default, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- The debtor incompletes the financial agreements; or
- The information developed internally or obtained from external sources

indicates that it is unlikely that the debtor will pay its creditors, including the Company, completely (without considering any guarantee held by the Company).

The Company has defined as the breach threshold, the period from which the recovery of the account receivable subject to analysis is marginal; in this case, for the services segment it considers 120 days for the business clients and 150 days for the government clients, and for the wholesale segment it considers 120 days for business clients, which is in line with the management of internal risks.

Other financial instruments

The Company recognizes credit losses expected during the asset's lifetime of all financial instruments for which credit risk has significantly increased since its initial recognition (assessed on a collective or individual basis), considering all the reasonable and sustainable information, including the one referring to the future. If at the presentation date, the credit risk a financial instrument has not significantly increased since its initial recognition, the Company calculates the loss allowance for that financial instrument as the amount of expected credit losses in the following 12 months.

In both cases, the Company recognizes in profit or loss of the period the decrease or increase in the expected credit loss allowance at the end of the period, as an impairment gain or loss.

Management assesses the impairment model and the inputs used therein at least once every year, in order to ensure that they remain in effect based on the current situation of the portfolio.



Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and subsequently valued at amortized cost using the effective interest rate method. Liabilities in this category are classified as current liabilities if they are expected to be settled within the following 12 months; otherwise, they are classified as non-current liabilities.

Trade payables are obligations to pay for goods or services that have been purchased or received from suppliers in the ordinary course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recognized at amortized cost; any difference between the resources received (net of transaction costs) and the settlement value is recognized in the consolidated statement of income during the loan's term using the effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities if, and only if, the obligations of the Company are met, canceled or have expired. The difference between the carrying value of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Additionally, when the Company carries out a refinancing transaction and the previous liability qualifies to be derecognized, the costs incurred in the refinancing are recognized immediately in results as of the date of termination of the previous financial liability.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when there is a legally

enforceable right to offset the recognized amounts, and there is an intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

9 Derivative financial instruments and hedging activities

All derivative financial instruments are identified and classified as fair value hedges or cash flow hedges, for trading or hedging of market risk, are recognized in the consolidated statement of financial position as assets and/or liabilities at fair value and subsequently measured at fair value. Fair value is determined based on recognized market prices and when non-quoted in an observable market, it is determined using valuation techniques accepted in the financial sector.

Fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments classified as hedges are contracted for risk hedging purposes and meet all hedging requirements; their designation at the beginning of the hedging operation is documented, describing the objective, primary position, risks to be hedged and the effectiveness of the hedging relationship, characteristics, accounting recognition and how the effectiveness will be measured, applicable to that operation.

Cash flow hedges

The changes in the fair value of derivative instruments associated to cash flow hedges are recorded in stockholders' equity. The effective portion is temporarily recorded in comprehensive (loss) income, within stockholders' equity and is



reclassified to profit or loss when the hedged position is affected; the ineffective portion is immediately recorded in profit or loss.

Suspension of hedge accounting

The Company suspends hedge accounting when the derivative financial instrument or the non-derivative financial instrument has expired, is cancelled or exercised, when the derivative or non-derivative financial instrument is not highly effective to offset the changes in the fair value or cash flows of the hedged item. The substitution or successive renewal of a hedge instrument by another is not an expiration or resolution if said replacement or renewal is part of the Company's documented risk management objective and is consistent with it.

On suspending hedge accounting, in the case of fair value hedges, the adjustment to the carrying amount of a hedged amount for which the effective interest rate method is used, is amortized to profit or loss over the maturity period. In the case of cash flow hedges, the amounts accumulated in equity as part of comprehensive (loss) income remain in equity until the time when the effects of the forecasted transaction affect profit or loss. In the event the forecasted transaction is not likely to occur, the gain or loss accumulated in comprehensive (loss) income are immediately recognized in profit or loss. When the hedge of a forecasted transaction is satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive (loss) income in stockholders' equity are proportionally transferred to profit or loss, to the extent the forecasted transaction impacts it.

Fair value of derivative financial instruments reflected in the Company's consolidated financial statements, is a mathematical approximation of their fair value. It is computed using proprietary models of independent third parties using assumptions based on past and present market conditions and

future expectations at closing date.

h Inventories

Inventories are shown at the lesser of its cost and net realization value. The cost is determined using the weighted average cost method. The cost of inventories corresponding to materials and consumables, includes equipment installation costs, other direct costs and indirect expenses. Excludes borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

i Prepayments

Prepayments mainly comprise insurance and prepayments to service providers. The amounts are recorded on the basis of contractual values and are recorded monthly in the consolidated statement of income every month over the lifetime of the corresponding prepayment: the amount corresponding to the proportion to be considered over the following 12 months is shown under current assets and the remaining amount is shown under non-current assets.

j Property, plant and equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and any accrued impairment losses. Costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and



the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the consolidated statement of income during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

Depreciation is calculated using the straight-line method, considering separately each of the asset's components, except for land, which is not subject to depreciation. The estimated useful lives of the assets classes indicated below:

	Years
Buildings	40 - 60
Computers	3 - 5
Vehicles	4
Office equipment	10
Telecommunications network	3 a 28

Spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction relates to qualifying assets, that require a substantial period of time to be ready for their use or sale, are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests whenever events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount in the consolidated statement of income in

other expenses, net. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

Residual value, useful lives and depreciation method of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the consolidated statement of income.

k Leases

The Company as lessee

The Company evaluates whether a contract is or contains a lease agreement at inception of a contract. A lease is defined as an agreement or part of an agreement that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The Company recognizes a right-of-use asset and the corresponding lease liability, for all lease agreements in which it acts as lessee, except in the following cases: short-term leases (defined as leases with a lease term of less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than US\$5,000 (five thousand dollars)); and, lease agreements whose payments are variable (without any contractually defined fixed payment). For these agreements, which exempt the recognition of a right-of-use asset and a lease liability, the Company recognizes the rent payments as an operating expense in a straight-line method over the lease period.



The right-of-use asset comprises all lease payments discounted at present value; the direct costs to obtain a lease; the advance lease payments; and the obligations of dismantling or removal of assets. The Company depreciates the right-of-use asset over the shorter of the lease term and the useful life of the underlying asset; in this sense, when the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Depreciation begins on the lease commencement date.

The lease liability is initially measured at the present value of the future minimum lease payments that are not paid at that date, using a discount rate that reflects the cost of obtaining funds for an amount similar to the value of the lease payments, for the acquisition of the underlying asset, in the same currency and for a similar period to the corresponding contract (incremental borrowing rate). When lease payments contain non-lease components (services), the Company has chosen, for some class of assets, not to separate them and measure all payments as a single lease component; however, for the rest of the class of assets, the Company measures the lease liability only considering lease payments, while all of the services implicit in the payments, are recognized directly in the consolidated statement of income as operating expenses.

To determine the lease term, the Company considers the non-cancellable period, including the probability to exercise any right to extend and/or terminate the lease term.

Subsequently, the lease liability is measured increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

When there is a modification in future lease payments resulting from changes in an index or a rate used to determine those payments, the Company remeasures the lease liability when the adjustment to the lease payments takes effect, without reassessing the discount rate. However, if the modifications are related to the lease term or exercising a purchase option, the Company reassesses the discount rate during the liability's remeasurement. Any increase or decrease in the value of the lease liability subsequent to this remeasurement is recognized as an adjustment to the right-of-use asset to the same extent.

Finally, the lease liability is derecognized when the Company fulfills all lease payments. When the Company determines that it is probable that it will exercise an early termination of the contract that leads to a cash disbursement, such disbursement is accounted as part of the liability's remeasurement mentioned in the previous paragraph; however, in cases in which the early termination does not involve a cash disbursement, the Company cancels the lease liability and the corresponding right-of-use asset, recognizing the difference immediately in the consolidated statement of income.

The Company as lessor

Leases, determined based on the definition of IFRS 16, for which the Company acts as lessor, are classified as financial or operating. As long as the terms of the lease transfer substantially all the risks and benefits of the property to the lessee, the contract is classified as a finance lease. The other leases are classified as operating leases.

Income from operating leases is recognized in a straight line during the corresponding lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized straight-line over the term of the lease. The amounts for



financial leases are recognized as accounts receivable for the amount of the Company's net investment in the leases.

I Intangible assets

Intangible assets are recognized when they meet the following conditions: they are identifiable, they provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

I. Finite useful life

These assets are recognized at cost less accumulated amortization and accrued impairment losses. They are amortized on a straight-line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

	Years
Software and licenses	3 a 7
Concessions	20 a 30
Capacity of communications network	13
Other	4
To do and not to do obligations	3
Trademarks	5
Relationships with customers	15

a. Trademarks

Trademarks acquired in a separate transaction are recorded at acquisition cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks are amortized according to their useful life based on the Company's evaluation; if in this evaluation the useful life proves to be indefinite, then trademarks are not amortized but subject to annual impairment tests.

b. Licenses

Licenses acquired in a separate transaction are recorded at acquisition cost. Licenses acquired in a business combination are recognized at fair value at acquisition date.

Licenses that have a definite useful life are presented at cost less accumulated amortization. Amortization is recorded on a straight-line basis over its estimated useful life.

The acquisition of software licenses is capitalized based on the costs incurred to acquire and use the specific software.

II. Indefinite useful life

These intangible assets are not amortized and are subject to annual impairment assessment. As of December 31, 2023, 2022 and 2021, intangible assets with an indefinite life corresponds to goodwill.



m Goodwill

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's interest in the fair value of the identifiable net assets acquired, determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

n Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which separately identifiable cash flows exist (cash generating units). Non-financial long-term assets other than goodwill that have suffered impairment are reviewed for a possible reversal of the impairment at each reporting date.

o Income tax

The amount of income taxes in the consolidated statement of income represents the sum of current and deferred income taxes.

The amount of income taxes included in the consolidated statement of income represents the current tax of the year and the effects of deferred income tax determined in each subsidiary by the assets and liabilities method, applying the rate established by the legislation enacted or substantially enacted at the statement of financial position date, wherever the Company operates, and generates taxable income on the total temporary differences resulting from comparing the accounting and tax bases of assets and liabilities, and that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is expected to be settled, considering, when applicable, any tax-loss carryforwards, prior to the recovery analysis. The effect of a change in current tax rates is recognized in profit or loss of the period in which the rate change is determined.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

Deferred income tax on temporary differences arising from investments in subsidiaries, associates and joint agreements is recognized, unless the period of reversal of temporary differences is controlled by Axtel and it is probable that the temporary differences will not revert in the foreseeable future.

Deferred tax assets and liabilities are offset when a legal right exists and when taxes are levied by the same tax authority.



Employee benefits

I. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. The contributions are recognized as employee benefit expense on the date that the contribution is required.

Defined benefit plans:

A defined benefit plan is a plan, which specifies the amount of the pension an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. As of December 2023, 2022, and 2021, the Company does not have plan assets. The defined benefit obligation is calculated annually by independent third parties using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates in conformity with IAS 19 - Employee Benefits, that are denominated in the currency in which the benefits will be paid and have maturities that approximate the terms of the pension liability.

Actuarial remeasurements arising from adjustments and changes in actuarial assumptions are recognized directly in other items of the comprehensive (loss) income in the year as they occur, and there will be no reclassified to profit or loss of the period.

The Company determines the net finance expense (income) by applying the discount rate to the liability (asset) from net defined benefits.

Past-service costs are recognized immediately in the consolidated statement of income.

II. Post-employment medical benefits

The Company provides medical benefits to retired employees after termination of employment. Eligibility for these benefits usually depends on the employee having worked up to the retirement age and having completed a minimum number of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

III. Termination benefits

Termination benefits are payable when the Company terminates the employment contract before the normal retirement date or when the employee accepts voluntary severance in exchange for these benefits. The Company recognizes benefits on the following dates, whichever occurs first: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37 and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Benefits that will be paid in the long term are discounted at their present value.



As of December 31, 2023, 2022 and 2021, the Company recognized a termination expense in the consolidated statement of income for \$387,553, \$24,600, and \$39,407, respectively.

IV. Short-term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. The Company recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

V. Statutory employee profit sharing (PTU in Spanish) and bonuses

The Company recognizes a liability and an expense for bonuses and statutory employee profit sharing when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the tax profit for the year after certain adjustments.

q Share-based payments

The Company has compensation plans that are based on the market value of shares of Axtel, granted to certain senior executives of the Company. The conditions for granting such compensation to the eligible executives include compliance with certain financial metrics such as level of profit achieved and remaining in the Company for up to 5 years, among other requirements. Axtel's Board of Directors has appointed a Technical Committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. The payment of the plan is always subject to the discretion of Axtel's senior management. Adjustments to this estimate are charged or credited to the consolidated statement of income.

Fair value of the amount payable to employees in respect of share-based payments, which are settled in cash, is recognized as an administrative expense in the consolidated statement of income, with a corresponding increase in liabilities, over the period of service required. The liability is included within other liabilities and is adjusted at each reporting date and at settlement date. Any change in the fair value of the liability is recognized as an expense in the consolidated statement of income.

r Stockholders' equity

Axtel's common shares are classified as capital stock within stockholders' equity. Incremental costs directly attributable to the issuance of new shares are included in equity as a reduction from the consideration received, net of tax.

Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is presented as a reduction to stockholders' equity at the purchase price. These amounts are stated at their historical value.

s Revenue recognition

Revenues comprise the fair value of the consideration received or for the sale of goods and services in the ordinary course of the transactions, and are presented in the consolidated statement of income, net of the amount of variable considerations, which comprise the estimated amount of returns from customers, rebates and similar discounts and payments made to customers for the purpose of accommodating goods in attractive and favorable spaces at their facilities.

To recognize revenues from contracts with customers, the comprehensive model for revenue accounting is used, which is based on a five-step approach consisting of the following: (1) identify the contract; (2) identify performance



obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize the revenue when the company satisfies a performance obligation.

The Company maintains managed service agreements with customers from the government and business portfolios, which may include multiple deliverables mainly consisting of the delivery of equipment and provision of telecommunications services and information technologies. The Company evaluates certain agreements, in which it identifies more than one separable performance obligation, which consists of the equipment used to provide the service and that is installed in the facilities of the customers. In addition to the equipment, telecommunications and information technologies are identified as another separable performance obligation.

Where the equipment delivered to the customer is a separable performance obligation of the service, the Company assigns the price of managed service agreements to the performance obligations identified and described in the preceding paragraph according to independent market values and related discounts.

The Company recognizes the revenue derived from managed services agreements, as follows:

- Revenues from equipment installed in the facilities of customers is recognized upon transfer of control or right to use them; i.e., at some point in time. This performance obligation has a significant financial component; therefore, revenues are recognized in accordance with the effective interest rate method over the term of the agreement.
- Revenues from services are recognized as they are provided; i.e. as the customer consumes them in relation to services of voice, data and general telecommunications.

Dividend income from investments is recognized once the rights of stockholders to receive this payment have been established (when it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured).

Interest income is recognized when it is likely that the economic benefits will flow to the entity and the amount of revenue can be reliably measured by applying the effective interest rate.

Costs of acquiring new contracts are recognized as contractual assets and are amortized over the period of those contracts in profit or loss, which is when they will generate economic benefits.

t Earnings per share

Earnings per share are calculated by dividing the profit attributable to the stockholders by the weighted average number of common shares outstanding during the year.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to various financial risks: market risk (including exchange rate risks, interest rate risk on cash flows and interest rate risk on fair values), credit risk and liquidity risk.

The Company has a general risk management program focused on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance.



The objective of the risk management program is to protect the financial health of the businesses, taking into account the volatility associated with foreign exchange and interest rates. Sometimes, regarding market risks, the Company uses derivative financial instruments to hedge certain exposures to risks.

Controladora Axtel (holding company) has a Risk Management Committee (RMC), comprised of the Board's Chairman, the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") of Axtel and the Risk Management Officer ("RMO") of Axtel acting as technical secretary. The RMC reviews derivative transactions proposed by Axtel, in which a potential loss analysis surpasses US\$1 million.

This committee supports both the CEO and the Board's Chairman of the Company. All new derivative transactions, which the Company proposes to enter into, as well as the renewal or cancellation of derivative arrangements, must be approved by Axtel's CEO, in accordance to the following schedule of authorizations:

	MAXIMUM POSSIBLE Loss US\$1 million	
	Individual transaction	Annual cumulative transactions
Chief Executive Officer	1	5
Risk Management Committee	30	100
Finance Committee	100	300
Board of Directors	>100	>300

The proposed transactions must meet certain criteria, including that the hedges are lower than established risk parameters, and that they are the result of a detailed analysis and are properly documented. Sensitivity analysis and other risk analyses should be performed before the transactions are conducted.

Capital management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to stockholders and benefits to other stakeholders, as well as maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return equity to stockholders, issue new shares or sell assets to reduce debt.

Axtel monitors capital based on a leverage ratio. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities / total equity is 4.36, 5.44 and 5.96 times as of December 31, 2023, 2022 and 2021, respectively, resulting on a leverage ratio that meets the Company's management and risk policies.



Financial instruments per category

Below are the Company's financial instruments by category:

	As of December 31,		
	2023	2022	2021
Cash and cash equivalents	\$ 1,207,174	\$ 1,542,831	\$ 1,613,697
Financial assets at amortized cost:			
Trade and other accounts receivable	1,698,833	1,854,465	2,420,149
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments	-	4,696	-
	\$ 2,906,007	\$ 3,401,992	\$ 4,033,846
Financial liabilities at amortized cost:			
Current debt	\$ 214,351	\$ 375,506	\$ 252,072
Lease liability	260,864	320,958	484,254
Trade payables, related parties, and sundry creditors	1,375,315	1,844,234	2,138,783
Non-current debt	10,155,319	11,184,614	12,607,365
Financial liabilities measured at fair value through profit or loss:			
Derivative financial instruments ⁽¹⁾	31,987	-	33,575
	\$ 12,037,836	\$ 13,725,312	\$ 15,516,049

(1) The Company designated the derivative financial instruments that comprise this balance, as hedges for accounting purposes, in accordance with what is described later in Note 4.

Fair value of financial assets and liabilities valued at amortized cost

The amount of cash and cash equivalents, trade and other accounts receivable, other current assets, trade payables and other accounts payable, current debt, current provisions and other current liabilities approximate their fair value since their maturity date is less than 12 months. The net carrying amount of these accounts represents the expected cash flow at December 31, 2023, 2022 and 2021.

The carrying amount and estimated fair value of financial assets and liabilities valued at amortized cost is presented below:

	As of December 31, 2023		As of December 31, 2022		As of December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:						
Debt ⁽¹⁾	\$10,290,217	\$ 10,784,708	\$ 11,508,447	\$10,226,268	\$ 12,842,055	\$13,152,634

⁽¹⁾ The carrying amount of debt, for purposes of calculating its fair value, is presented gross of interest payable and issuance costs.

Market risk

(i). Exchange rate risk

The Company is exposed to the exchange risk arising from exposure of its currency, mainly with respect to the U.S. dollar. Axtel's indebtedness and part of its accounts payable are stated in U.S. dollars, which means that it is exposed to the risk of variations in the exchange rate.

The Company's interest expense on the dollar debt, stated in Mexican pesos in the Axtel consolidated financial statements, varies with the movements in the exchange rate. Depreciation of the peso gives rise to increases in the interest expense recorded in pesos.

The Company records exchange gains or losses when the Mexican peso appreciates or depreciates against the U.S. dollar. Due to the fact that the Company's monetary liabilities denominated in dollars have exceeded (and are expected to continue exceeding) Axtel's monetary assets stated in that same currency, depreciation of the Mexican peso to the U.S. dollar will give rise to exchange losses.

The Company has the following assets and liabilities in foreign currency in relation to the functional currency of its subsidiaries, translated to thousands of Mexican pesos at the closing exchange rate as of December 31, 2023, 2022 and 2021.



	USD (converted to thousands of MXN)		
	2023	2022	2021
Financial assets	\$ 1,289,533	\$ 1,160,810	\$ 714,540
Financial liabilities	(7,194,222)	(9,519,008)	(10,971,150)
Foreign exchange monetary position	\$(5,904,689)	\$(8,358,198)	\$(10,256,610)

During 2023, 2022 and 2021, Axtel contracted several derivative financial instruments, mainly forwards, to hedge this risk. These derivatives have been designated at fair value with changes through profit or loss for accounting purposes as explained in the next section of this note.

Based on the financial positions in foreign currency maintained by the Company, a hypothetical variation of 10% in the MXN/USD exchange rate and keeping all other variables constant, would result in an effect of \$590,469 on the consolidated statement of income and consequently on the stockholders' equity.

Financial instruments and derivative financial instruments

Financial instruments

According to the contracts, in case of deciding for payment in cash, the amount to be settled will be calculated as per the following formula:
Number of options per option right per (reference price - exercise price).

Where: **Number of options = defined in the contract**

Right of option = defined as 1 “share” per option, defining “share” as Bloomberg Code AxtelCPO MM.

Reference price = “The price per share that GBM receives upon settling the position of the hedges thereof, under commercially reasonable terms, discounting commissions and taxes”.

Exercise price = 0.000001 pesos

The Company determined the classification and measurement of these contracts as financial assets at fair value with changes through profit or loss.

Derivative financial instruments

As of December 31, 2023 and 2022, the Company does not have interest rate swaps due to their natural maturity. As of December 31, 2021, the Company maintained the following derivative financial instrument:

- a. Interest Rate Swap (“IRS”) with the purpose of mitigating risks associated with the variability of its interest rates. The Company maintains interest-bearing liabilities at variable rates, which is why it is exposed to the variability of the reference interest rate (TIIE). Therefore, the Company entered into an IRS and hedged the interest payments associated with two debt instruments; the conditions of the derivative financial instrument and the considerations of its valuation as a hedging instrument are mentioned below:

Characteristics	2021
Currency	MXN
Notional	\$ 2,880,000
Coupon	TIIE28
Coupon	8.355%
Maturity	December 15, 2022
Swap book value	\$ (33,575)
Change in the fair value of the swap to measure ineffectiveness	\$ (33,520)
Reclassification from OCI to income	\$3,989
Balance recognized in OCI net of reclassifications	\$ 29,586
Ineffectiveness recognized in income	-
Change in the fair value of the hedged item to measure ineffectiveness	\$ 40,712
Change in the fair value DFI vs comparative year	\$ 173,623



For accounting purposes, the Company has designated the IRS described above as a cash flow hedge to mitigate interest rate volatility of two financial liabilities, formally documenting the relationship, establishing the objectives, management's strategy to hedge the risk, the hedging instrument identified, the hedged item, the nature of the risk to be hedged and the methodology of used to evaluate the hedge effectiveness.

As of December 31, 2021, the results of the effectiveness of this hedge confirms that the hedge relationship is highly effective, given that the changes in the fair value and cash flows of the hedged item are compensated in the range of effectiveness established by the Company. The prospective effectiveness test resulted in 119% in 2021 confirming that there is an economic relationship between the hedging instruments and the hedged instrument. The method used by the Company is to offset cash flows using a hypothetical derivative, which consists of comparing the changes in the fair value of the hedging instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect coverage of the covered item.

According to the amount described and the way in which the derivative cash flows are exchanged, for this hedging strategy, the average hedge ratio is 51% in 2021. In this hedge relationship, the source of ineffectiveness is mainly credit risk.

- b. Forwards of accounting hedge with the objective of covering the exposure to the USD/MXN exchange rate variability.

As of December 31, 2023 and 2022, the Company maintains forwards (USD/MXN) to cover capital expenditures (Capex) that are made in a currency other than its functional currency. Likewise, as of December 31, 2022, the Company maintains two forwards (USD/MXN) to cover the interest payment for coupons on the Senior Notes bond due in 2024. Therefore, a highly probable forecast

transaction related to disbursements has been documented as a hedged item in dollars for Capex and the bond coupon payment.

For accounting purposes, the Company has designated these forwards as cash flow hedge relationships to hedge the items mentioned above, and formally documented these relationships, establishing the objectives, the management strategy to hedge the risk, the identification of the hedging instruments, the hedged items, the nature of the risk to be hedged and the effectiveness evaluation methodology.

The conditions of the derivative financial instruments and the considerations of their valuation as hedging instruments are mentioned below:

Forwards		Capex USD/MXN
CHARACTERISTICS		2023
Currency		USD
Notional (thousands)		\$ 11,200
Strike (average)		19.8775
Maturity		Hasta 24-ene-2024
Book value		\$ (31,987)
Change in the fair value to measure ineffectiveness		\$ (32,189)
Reclassification from OCI to income		-
Balance recognized in OCI net of reclassifications		\$ (31,987)
Change in the fair value of the hedged item to measure ineffectiveness		\$ 33,553



Forwards	Capex USD/MXN	Bond Interest USD/MXN
CHARACTERISTICS	2022	2022
Currency	USD	USD
Notional (thousands)	\$ 77,400	\$ 12,900
Strike (average)	19.8950	19.7180
Maturity	Until Aug-24-2023	May-11-2023
Book value	\$ 1,532	\$ 3,163
Change in the fair value to measure ineffectiveness	\$ (9,522)	\$ 1,318
Reclassification from OCI to income	-	\$ (409)
Balance recognized in OCI net of reclassifications	\$ 1,533	\$ 3,572
Change in the fair value of the hedged item to measure ineffectiveness	\$ 13,111	\$ 1,557

As of December 31, 2023, the Company maintains USD/MXN forwards that were contracted with the objective of protecting itself against an exchange rate increase. The Company determined that the hedging relationships are highly effective according to the characteristics and modeling of both hedged items, resulting in 98% effectiveness for Capex coverage in 2023 and 2022, and 98% for interest coverage in 2022.

In accordance with the reference amounts described and the way in which the flows of the derivatives are exchanged, the average coverage ratio for the USD/MXN exchange rate is 87% and 100% for Capex in 2023 and 2022, respectively, and 100% for interest at the end of 2022. If necessary, a rebalancing will be carried out to maintain this relationship for the strategy. As of December 31, 2023, there was no ineffectiveness recognized in results.

(II). Interest rate and cash flow risk

The Company's interest rate risk arises from long-term loans. Loans at variable rates expose the Company to interest rate risks in cash flows that are partially offset by cash held at variable rates. Loans at fixed rates expose the

Company to interest rate risk at fair value.

As of December 31, 2023, 3% of Axtel's total debt generates fixed interest rates while the remaining 97% generates variable interest rates.

The Company analyzes its exposure to interest rate risk on a dynamic basis. Several scenarios are simulated, taking into account the refinancing, renewal of existing positions, financing and alternative coverage. Based on these scenarios, the Company calculates the impact on the annual result of a change in the interest rate defined for each simulation, using the same change in the interest rate for all currencies. The scenarios are produced only for liabilities that represent the main positions that generate the highest interest.

Axtel's results and cash flows can be impacted if additional financing is required in the future when interest rates are high in relation to the Company's current conditions.

As of December 31, 2023, if the interest rates on variable rate loans were increased or decreased by 100 basis points, the interest expense would affect the results and stockholders' equity by \$102,483 and \$(102,483), respectively.

Credit risk

Credit risk represents the risk of financial loss for the Company, if a customer or counterpart of a financial instrument defaults on its contractual obligations, mainly in connection with accounts receivable from customers, as well as from investment instruments.



Account receivables

The Company evaluates and aggregates groups of clients that share a credit risk profile, in accordance with the service channel in which they operate, in line with business management and internal risk management.

The Company is responsible for managing and analyzing the credit risk for each of its new customers prior to establishing the terms and conditions of payment to offer. Credit risk arises from exposure of credit to customers, including accounts receivable. If there is no independent rating in place, the Company evaluates the credit risk pertaining to its customers, taking into account the financial position, past experience and other factors such as historical lows, net recoveries and an analysis of accounts receivable balances aging with reserves that are usually increased to the extent the accounts receivable increases in age. The credit risk concentration is moderate due to the number of unrelated clients.

Axtel determines its allowance for impairment of accounts receivable taking into account the probability of recovery, based on past experiences, as well as current collection trends and overall economic factors. Accounts receivable are entirely reserved when there are specific collection problems; based on past experience. Moreover, collection problems such as bankruptcy or catastrophes are also taken into account.

Accounts receivable are analyzed monthly, and the allowance for impairment of accounts receivable is adjusted in profit or loss.

Additionally, the Company performs a qualitative evaluation of economic projections, in order to determine the possible impact on probabilities of default and the recovery rate assigned to its customers. Finally, in the evaluation of the derecognition of an account receivable, the Company

evaluates whether there is any current expectation of recovery of the asset, before proceeding to execute the corresponding derecognition.

During the year ended December 31, 2023, there have been no changes in estimation techniques or assumptions.

Axtel conducts an economic evaluation of the efforts necessary to initiate legal proceedings for the recovery of past-due balances.

Other than Companies A and B, which are the Company's main customers, the Company has no significant exposure to credit risk involving a single customer or group of customers with similar characteristics. A group of customers is considered to have similar characteristics when they are related parties. The credit risk concentration of companies A and B must not exceed 20% of the gross amount of financial assets at any given moment during the year. The credit risk concentration of any other customer must not exceed 5% of the gross amount of monetary assets at any given moment during the year.

Company A accounts for 7%, 7% and 18% of the Company's total accounts receivable as of December 31, 2023, 2022 and 2021, respectively. Additionally, revenues associated to Company A for the years ended December 31, 2023, 2022 and 2021 was 4%, 3% and 4%, respectively.

Company B accounts for 6%, 0% and 0% of the Company's total accounts receivable as of December 31, 2023, 2022 and 2021, respectively. Additionally, revenues related to Company B for the years ended December 31, 2023, 2022 and 2021 was 2%, 0 %and0%,respectively.

As of December 31, 2023, 2022 and 2021, the allowance for impairment totaled \$755,239, \$614,108, and \$304,637, respectively. Axtel considers



this allowance to be sufficient to cover for the probable loss of accounts receivable; however, it cannot ensure that it will not need to be increased.

Investments

The Company's policies for managing cash and temporary cash investments are conservative, which allows for minimizing risk in this type of financial asset, taking into account also that operations are only conducted with financial institutions with high credit ratings.

The Company's maximum exposure to credit risk is equivalent to the total carrying amount of its financial assets.

Liquidity risk

The Company's finance department continuously monitors the cash flows' projections and the Company's liquidity requirements, ensuring that cash and investments in marketable securities are sufficient to meet operating needs.

The Company regularly monitors and makes its decisions based on not violating its limits or covenants established in its debt contracts. Projections consider the Company's financing plans, compliance with covenants, compliance with minimum internal liquidity ratios and legal or regulatory requirements.

Management's responsibility with respect to liquidity risk corresponds to the Company's board of directors, which has established a general framework for proper handling of liquidity risk in the short, medium and long term. The Company manages liquidity risks, maintaining a proper level of reserves, use of credit lines from banks, and is vigilant of real and projected cash flows.

The following table includes the Company's derivative and non-derivative financial liabilities grouped according to maturity from the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are required to understand the terms of the Company's cash flows.

The figures shown in the chart are the non-discounted contractual cash flows.

	Less than 1 year	Between 1 and 5 years	More than 5 years
December 31, 2023			
Current debt	\$ 214,351	\$ -	\$ -
Trade payable, related parties and creditors	1,375,315	-	-
Derivative financial instruments	31,987	-	-
Non-current debt	-	7,418,750	2,829,571
Lease liability	107,755	131,295	21,814
Non-accrued interest payable	1,111,695	2,994,078	790,646
December 31, 2022			
Current debt	\$ 375,506	\$ -	\$ -
Trade payable, related parties and creditors	1,844,234	-	-
Non-current debt	-	10,332,507	904,888
Lease liability	220,968	89,980	10,010
Non-accrued interest payable	903,990	1,551,225	49,999
December 31, 2021			
Current debt	\$ 252,072	\$ -	\$ -
Trade payable, related parties and creditors	2,138,783	-	-
Derivative financial instruments	33,575	-	-
Non-current debt	-	10,890,119	1,799,886
Lease liability	264,264	203,749	16,241
Non-accrued interest payable	848,246	2,159,402	43,199

The Company expects to meet its obligations with the cash flows provided by operations and/or cash flows provided by its main stockholders. Furthermore, the Company has access to credit lines as mentioned in Note 16.



As of December 31, 2023, Axtel has committed credit lines for US\$50 million, of which 100% is available.

Fair value hierarchy

The following is an analysis of financial instruments measured in accordance with the fair value hierarchy. Three different levels are used as presented below:

- **Level 1:** Quoted prices for identical instruments in active markets.
- **Level 2:** Other valuations including quoted prices for similar instruments in active markets, which are directly or indirectly observable.
- **Level 3:** Valuations made through techniques where one or more of their significant data inputs are unobservable.

The following table presents the Company's assets and liabilities that are measured at fair value as of December 31, 2023, 2022 and 2021:

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities):				
Forwards	\$ -	\$ (31,987)	\$ -	\$ (31,987)
	\$ -	\$ (31,987)	\$ -	\$ (31,987)
	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities):				
Forwards	\$ -	\$ 4,696	\$ -	\$ 4,696
	\$ -	\$ 4,696	\$ -	\$ 4,696
	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities):				
Interest rate swap	\$ -	\$ (33,575)	\$ -	\$ (33,575)
	\$ -	\$ (33,575)	\$ -	\$ (33,575)

There were no transfers between Level 1 and 2 or between Level 2 and 3 during the period.

The specific valuation techniques used to value financial instruments include:

- Market quotations or quotations for similar instruments.
- The fair value of forward exchange agreements is determined using exchange rates at the closing balance date, with the resulting value discounted at present value.
- Other techniques such as the analysis of discounted cash flows, which are used to determine fair value of the remaining financial instruments.

5. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a Impairment and useful lives of long-lived assets

The Company reviews depreciable and amortizable assets on an annual basis for signs of impairment, or when certain events or circumstances indicate that the book value may not be recovered during the remaining useful life of the assets. For intangible assets with an indefinite useful life, the Company performs impairment tests annually and at any time that



there is an indication that the asset may be impaired.

To test for impairment, the Company uses projected cash flows, which consider the estimates of future transactions, including estimates of revenues, costs, operating expenses, capital expenditures and debt service. In accordance with IFRS, discounted future cash flows associated with an asset or CGU are compared to the book value of the asset or CGU being tested to determine if impairment exists whenever the aforementioned discounted future cash flows are less than its book value. In such case, the carrying amount of the asset or group of assets is reduced to its value in use, unless its fair value is higher.

The Company estimates the useful lives of long-lived assets in order to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is calculated when the asset is acquired and is based on past experience with similar assets, considering anticipated technological changes or any other type of changes. Were technological changes to occur faster than estimated, or differently than anticipated, the useful lives assigned to these assets could have to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the expected future economic benefits associated with the assets.

b Estimated impairment of goodwill and intangible assets with indefinite useful lives

The Company conducts annual tests to determine whether goodwill and intangibles assets with indefinite useful lives have suffered any impairment (Note 11). For impairment testing, goodwill and intangibles assets with indefinite lives is allocated with those cash generating units (CGUs) of which the Company has considered that economic and operational synergies of the business combinations are generated. The recoverable amounts of the

groups of CGUs were determined based on the calculations of their value in use, which require the use of estimates, within which the most significant are the following:

- Estimation of future gross and operating margins according to the historical performance and expectations of the industry for each CGU group.
- Discount rate based on the weighted cost of capital (WACC) of each CGU or CGU group.
- Long-term growth rates.

c Recoverability of deferred tax assets

The Company has applicable tax-loss carryforwards, which can be used in the following years until maturity expires (See Note 19). Based on the projections of income and taxable income that the Company will generate in the following years through a structured and robust business plan, management has considered that current tax losses will be used before they expire and, therefore, it was considered appropriate to recognize a deferred tax asset for such losses.

d Commitments and contingencies

The Company exercises its judgment in measuring and recognizing provisions and the exposures to contingent liabilities related to pending litigation or other pending claims subject to negotiation for liquidation, mediation, arbitration or government regulation, as well as other contingent liabilities. The Company applies its judgment to evaluate the probability that a pending claim is effective, or results in recognition of a liability, and to quantify the possible range of the liquidation. Due to the uncertainty inherent to this evaluation process, actual losses could differ from the provision originally estimated.



Contingencies are recorded as provisions when a liability has probably been incurred and the amount of the loss can be reasonably estimated. It is not practical to conduct an estimate regarding the sensitivity to potential losses, of all other assumptions have been made to record these provisions, due to the number of underlying assumptions and to the range of reasonable results possible, in connection with the potential actions of third parties, such as regulators, both in terms of probability of loss and estimates of said loss.

e [Default probability and recovery rate to apply the expected credit losses model in the impairment measurement of financial assets](#)

The Company assigns to customers with whom it has an account receivable at each reporting date, either individually or as a group, an allowance for the probability of default in the account receivable and the estimated recovery rate, in order to reflect the cash flows expected to be received from the outstanding balances as of that date.

f [Estimation of the discount rate to calculate the present value of future minimum lease payments](#)

The Company estimates the discount rate to use in the determination of the lease liability, based on the incremental borrowing rate (“IBR”).

The Company uses a three-tier model, with which it determines the three elements that comprises the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, management also considers its policies and practices to obtain financing, distinguishing between the one obtained at the corporate level (that is, the holding company), or at the level of each subsidiary. Finally, for real estate leases, or in which there is significant and

observable evidence of their residual value, the Company estimates and evaluates an adjustment for characteristics of the underlying asset, based on the possibility that said asset is granted as collateral or guarantee against the risk of default.

g [Estimation of the lease term](#)

The Company defines the lease term as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are probable to be exercised. The Company participates in lease contracts that do not have a defined non-cancellable term, a defined renewal period (in case it contains a renewal clause), or automatic annual renewals, so, to measure the lease liability, it estimates the contracts term considering their contractual rights and limitations, their business plan, as well as management’s intentions for the use of the underlying asset.

Additionally, the Company considers the clauses of early termination of its contracts and the probability of exercising them, as part of its estimate of the lease term.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statement of financial position consist of the following:

	2023	2022	2021
Cash on hand and in banks	\$ 147,285	\$ 1,152,126	\$ 1,305,022
Short-term investments	1,059,889	390,705	308,675
Total cash and cash equivalents	\$ 1,207,174	\$ 1,542,831	\$ 1,613,697



7. TRADE AND OTHER ACCOUNTS RECEIVABLE, NET

Trade and other accounts receivable are comprised as follows:

	2023	2022	2021
Current:			
Trade accounts receivable	\$ 2,145,872	\$ 1,808,514	\$ 2,000,084
Allowance for impairment of accounts receivable ⁽¹⁾	(755,239)	(614,108)	(304,637)
Trade accounts receivable, net	1,390,633	1,194,406	1,695,447
Recoverable taxes	115,303	74,260	72,605
Notes and other accounts receivable	286,278	644,901	689,442
Related parties	21,922	15,158	35,260
	\$ 1,814,136	\$ 1,928,725	\$ 2,492,754

⁽¹⁾ Movements of the allowance for impairment of accounts receivables are as follows:

	2023	2022	2021
Initial balance	\$ 614,108	\$ 304,637	\$ 373,335
Write-off of doubtful accounts ⁽²⁾	179,824	346,789	(42,555)
Allowance for doubtful accounts for the year	(38,693)	(37,318)	(26,143)
Ending balance	\$ 755,239	\$ 614,108	\$ 304,637

⁽²⁾ The net variance in the allowance for doubtful accounts in 2023, 2022 and 2021 are mainly due to the increase in the probability of default assigned to certain customers with respect to the beginning of the year. In addition, they consider the reversals of impairment that arise when an account receivable, which had previously been impaired, becomes recoverable because the customer settled the outstanding balance.

The following describes the probability of default ranges and the severity of loss allocated to the main customer groups with which the company has balances receivable in its different businesses:

AS OF DECEMBER 31, 2023		
Clients or group of clients	Probability of default range	Severity of loss
Carriers	10.0% - 100.0%	26.14%
Business	7.5% - 100.0%	41.24%
Government	10.0% - 100.0%	88.36%

AS OF DECEMBER 31, 2022		
Clients or group of clients	Probability of default range	Severity of loss
Carriers	10.0% - 100.0%	47.10%
Business	7.5% - 100.0%	71.80%
Government	10.0% - 100.0%	29.20%

AS OF DECEMBER 31, 2021		
Clients or group of clients	Probability of default range	Severity of loss
Carriers	10.0% - 100.0%	67.60%
Business	7.5% - 100.0%	57.70%
Government	10.0% - 100.0%	79.60%

8. INVENTORIES

As of December 31, 2023, 2022 and 2021, inventories of \$62,856, \$169,838 and \$85,442, respectively, were composed by materials and consumables.

The cost of inventories recognized as an expense and included in the cost of sales amounted to \$132,924, \$136,060 and \$139,778, for 2023, 2022 and 2021, respectively. As of December 31, 2023, 2022 and 2021, there were no inventories pledged as collateral.



9. PROPERTY, PLANT AND EQUIPMENT, NET

	Depreciable assets					Non-depreciable assets			
	Buildings	Telecommunications network	Office equipment	Computers	Vehicles	Leasehold improvements	Land	Investments in process	Total
For the year ended December 31, 2021									
Net opening balance	\$ 232,894	\$ 9,724,913	\$ 65,014	\$ 121,673	\$ 812	\$ 69,801	\$ 461,349	\$ 901,194	\$ 11,577,650
Translation effect	-	505	-	-	-	-	-	-	505
Additions	-	5,022	-	833	-	-	-	1,245,026	1,250,881
Transfers	-	1,499,416	1,096	19,899	-	11,287	-	(1,531,698)	-
Disposals, net	-	(15,481)	(37)	(577)	(381)	-	-	(22,807)	(39,283)
Depreciation charges recognized in the year	(12,440)	(2,529,883)	(12,496)	(58,046)	(431)	(43,509)	-	-	(2,656,805)
SEnding balance as of December 31, 2021	\$ 220,454	\$ 8,684,492	\$ 53,577	\$ 83,782	\$ -	\$ 37,579	\$ 461,349	\$ 591,715	\$ 10,132,948
AS OF DECEMBER 31, 2021									
Cost	\$ 597,111	\$ 41,980,339	\$ 377,404	\$ 3,376,968	\$ 99,284	\$ 510,435	\$ 461,349	\$ 591,715	\$ 47,994,605
Accumulated depreciation	(376,657)	(33,295,847)	(323,827)	(3,293,186)	(99,284)	(472,856)	-	-	(37,861,657)
Net carrying amount as of December 31, 2021	\$ 220,454	\$ 8,684,492	\$ 53,577	\$ 83,782	\$ -	\$ 37,579	\$ 461,349	\$ 591,715	\$ 10,132,948
For the year ended December 31, 2022									
Net opening balance	\$ 220,454	\$ 8,684,492	\$ 53,577	\$ 83,782	\$ -	\$ 37,579	\$ 461,349	\$ 591,715	\$ 10,132,948
Translation effect	-	(868)	-	-	-	-	-	-	(868)
Additions	45,420	10,649	12	323	-	1,705	2,117	1,263,278	1,323,504
Transfers	488	1,227,126	227	4,814	80	2,049	-	(1,234,784)	-
Disposals, net	-	(17,237)	(240)	(99)	-	-	-	(8,015)	(25,591)
Depreciation charges recognized in the year	(12,499)	(2,297,935)	(26,686)	(34,793)	(2)	(14,011)	-	-	(2,385,926)
Ending balance as of December 31, 2022	\$ 253,863	\$ 7,606,227	\$ 26,890	\$ 54,027	\$ 78	\$ 27,322	\$ 463,466	\$ 612,194	\$ 9,044,067
AS OF DECEMBER 31, 2022									
Cost	\$ 643,501	\$ 42,418,147	\$ 328,455	\$ 3,346,644	\$ 95,185	\$ 504,570	\$ 463,466	\$ 612,194	\$ 48,412,162
Accumulated depreciation	(389,638)	(34,811,920)	(301,565)	(3,292,617)	(95,107)	(477,248)	-	-	(39,368,095)
Net carrying amount as of December 31, 2022	\$ 253,863	\$ 7,606,227	\$ 26,890	\$ 54,027	\$ 78	\$ 27,322	\$ 463,466	\$ 612,194	\$ 9,044,067
For the year ended December 31, 2023									
Net opening balance	\$ 253,863	\$ 7,606,227	\$ 26,890	\$ 54,027	\$ 78	\$ 27,322	\$ 463,466	\$ 612,194	\$ 9,044,067
Translation effect	-	(1,835)	-	-	-	-	-	-	(1,835)
Additions	-	8,206	-	-	-	-	-	1,328,746	1,336,952
Transfers	1,705	1,270,488	3,735	3,399	-	1,563	-	(1,280,890)	-
Disposals, net	(3,350)	(10,502)	-	(90)	-	(2,539)	(7,821)	(11,900)	(36,202)
Depreciation charges recognized in the year	(12,943)	(2,034,719)	(7,275)	(23,359)	(20)	(11,048)	-	-	(2,089,364)
Ending balance as of December 31, 2023	\$ 239,275	\$ 6,837,865	\$ 23,350	\$ 33,977	\$ 58	\$ 15,298	\$ 455,645	\$ 648,150	\$ 8,253,618
AS OF DECEMBER 31, 2023									
Cost	\$ 632,105	\$ 43,056,308	\$ 322,871	\$ 3,326,249	\$ 83,302	\$ 437,034	\$ 455,645	\$ 648,150	\$ 48,961,664
Accumulated depreciation	(392,830)	(36,218,443)	(299,521)	(3,292,272)	(83,244)	(421,736)	-	-	(40,708,046)
Net carrying amount as of December 31, 2023	\$ 239,275	\$ 6,837,865	\$ 23,350	\$ 33,977	\$ 58	\$ 15,298	\$ 455,645	\$ 648,150	\$ 8,253,618



Of the total depreciation expense, \$2,055,752, \$2,324,046, and \$2,596,292 were charged to cost of sales, \$33,612, \$61,880 and \$60,513 to selling and administrative expenses for 2023, 2022 and 2021, respectively. Projects in process mainly include telecommunications network equipment to extend the Company's infrastructure and the capitalization period is approximately twelve months.

For the years ended December 31, 2023, 2022, and 2021, the Company capitalized \$18,307, \$11,086 and \$18,079, respectively, of borrowing costs related to qualifying assets of \$458,243, \$368,205 and \$422,817, respectively. These amounts were capitalized based on an interest rate of 9.19%, 7.10% and 7.11%, respectively.

10. RIGHT OF USE ASSET, NET

The Company leases a different set of fixed assets including, buildings, telecommunications network, office equipment, computer equipment and vehicles. The average term of the lease contracts is from 3 to 4 years.

a) The right of use recognized in the consolidated statement of financial position as of December 31, 2023, 2022 and 2021, is as follows:

	Land & buildings	Telecommunications equipment and networks	Furniture and office equipment	Computer equipment	Vehicles	Total
Net book value						
Balances as of December 31, 2021	\$ 305,030	\$ 126,144	\$ 470	\$ 33,745	\$ 33,133	\$ 498,522
Balances as of December 31, 2022	\$ 231,306	\$ 101,460	\$ 356	\$ 12,227	\$ 19,362	\$ 364,711
Balances as of December 31, 2023	\$ 171,261	\$ 79,004	\$ 288	\$ 13,847	\$ 48,298	\$ 312,698
Accumulated depreciation 2021	\$ (165,857)	\$ (28,334)	\$ (79)	\$ (26,116)	\$ (14,242)	\$ (234,628)
Accumulated depreciation 2022	\$ (155,427)	\$ (24,683)	\$ (79)	\$ (22,311)	\$ (13,336)	\$ (215,836)
Accumulated depreciation 2023	\$ (139,219)	\$ (22,435)	\$ (68)	\$ (11,195)	\$ (16,995)	\$ (189,912)

Additions to the net book value of the right of use asset as of December 31, 2023, 2022 and 2021 amounted to \$137,981, \$82,973 and \$240,512, respectively.

b) Expenses recognized in the consolidated statement of income for the year ended December 31, 2023, 2022 and 2021, are as follows.

	2023	2022	2021
Rent expenses from short-term leases	\$ 1,007,233	\$ 948,345	\$ 942,627

The Company has not signed lease contracts, which at the date of the consolidated financial statements have not started.

During the year, the Company did not realize significant extensions to the term of its lease contracts.



11. GOODWILL AND INTANGIBLE ASSETS, NETO

	Definite life				Indefinite life			
	Concessions	Trademarks	Relationships with customers	Non-compet agreements	Software and licenses	Other	Goodwill	Total
As of January 1, 2021	\$ 437,491	\$ 3,333	\$ 95,013	\$ 3,047	\$ 270,950	\$ 128,080	\$ 322,782	\$ 1,260,696
Additions	-	-	-	-	114,046	213,393	-	327,439
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairment recognized in the year	-	-	-	-	-	-	-	-
Amortization charges recognized in the year	(22,507)	(3,333)	(16,398)	(3,047)	(177,388)	(65,258)	-	(287,931)
Ending balance as of December 31, 2021	\$ 414,984	\$ -	\$ 78,615	\$ -	\$ 207,608	\$ 276,215	\$ 322,782	\$ 1,300,204
Cost	\$ 468,838	\$ 3,594	\$ 190,739	\$ -	\$ 1,519,358	\$ 566,528	\$ 322,782	\$ 3,071,839
Accumulated amortization	(53,854)	(3,594)	(112,124)	-	(1,311,750)	(290,313)	-	(1,771,635)
Ending balance as of December 31, 2021	\$ 414,984	\$ -	\$ 78,615	\$ -	\$ 207,608	\$ 276,215	\$ 322,782	\$ 1,300,204
As of January 1, 2022	\$ 414,984	\$ -	\$ 78,615	\$ -	\$ 207,608	\$ 276,215	\$ 322,782	\$ 1,300,204
Additions	-	-	-	-	57,316	10,721	-	68,037
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairment recognized in the year	-	-	-	-	-	-	-	-
Amortization charges recognized in the year	(22,509)	-	(16,397)	-	(123,686)	(41,909)	-	(204,501)
Ending balance as of December 31, 2022	\$ 392,475	\$ -	\$ 62,218	\$ -	\$ 141,238	\$ 245,027	\$ 322,782	\$ 1,163,740
Cost	\$ 468,838	\$ 3,594	\$ 190,739	\$ -	\$ 1,576,674	\$ 577,249	\$ 322,782	\$ 3,139,876
Accumulated amortization	(76,363)	(3,594)	(128,521)	-	(1,435,436)	(332,222)	-	(1,976,136)
Ending balance as of December 31, 2022	\$ 392,475	\$ -	\$ 62,218	\$ -	\$ 141,238	\$ 245,027	\$ 322,782	\$ 1,163,740
As of January 1, 2023	\$ 392,475	\$ -	\$ 62,218	\$ -	\$ 141,238	\$ 245,027	\$ 322,782	\$ 1,163,740
Additions	-	-	-	-	67,350	4,400	-	71,750
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Impairment recognized in the year	-	-	-	-	-	-	-	-
Amortization charges recognized in the year	(22,508)	-	(12,371)	-	(95,399)	(41,033)	-	(171,311)
Ending balance as of December 31, 2023	\$ 369,967	\$ -	\$ 49,847	\$ -	\$ 113,189	\$ 208,394	\$ 322,782	\$ 1,064,179
Cost	\$ 468,838	\$ 3,594	\$ 190,739	\$ -	\$ 1,571,998	\$ 581,649	\$ 322,782	\$ 3,139,600
Accumulated amortization	(98,871)	(3,594)	(140,892)	-	(1,458,809)	(373,255)	-	(2,075,421)
Ending balance as of December 31, 2023	\$ 369,967	\$ -	\$ 49,847	\$ -	\$ 113,189	\$ 208,394	\$ 322,782	\$ 1,064,179



The intangible assets with indefinite life of the Company include only goodwill. The rest of the intangible assets are of definite life.

Of the total amortization expense, \$22,508, \$22,508 and \$22,508 were charged to cost of sales and \$148,803, \$181,993 and \$265,423 to selling and administrative expenses in 2023, 2022 and 2021, respectively.

Company concessions

Axtel, as a group, has 3 (three) single concessions for commercial use granted by the Federal Telecommunications Institute (“IFT” for its acronym in Spanish), one in favor of Axtel S.A.B. de C.V., another one given to Alestra Servicios Móviles, S.A. de C.V., and another one in favor of Axe Redes e Infraestructura, S.A. de C.V, under which the Company is duly authorized to provide any telecommunications and/or broadcasting service, including, but not limited to the services of local fixed and mobile telephony; national and international long distance, SMS (short message service), purchase or rental of network capacity for the generation, transmission or reception of data, signals, writings, images, voice, sounds and other information of any nature; rental of digital circuits, etc.

In addition, Axtel S.A.B. de C.V. has concessions to use, take advantage of, and exploit frequency bands for specific use in the frequencies of 7 GHz. (2 concessions), 10 GHz. (17 concessions), 15 GHz. (4 concessions), 23 GHz. (6 concessions) and 38 GHz. (5 concessions).

The concession of Axtel S.A.B de C.V. is currently used to provide fixed services to the business and government market. Alestra Servicios Móviles uses its only concession to provide mobile services in both the MVNE and MVNO modalities and the Axe Redes concession is used to provide residential services.

It is worth mentioning that in the year 2021, the IFT authorized the transition to a Single Concession Contract of a Public Telecommunications Network Concession of Axe Redes (formerly Alestra Innovation Digital), a situation that terminates the restructuring strategy of Axtel Concessions as a group that began in 2019.

The Company's main concessions are as follows:

Service	Use	Period	Expiration
Single concession for commercial use of Axtel ⁽¹⁾	Commercial	30 years	2046
Single concession for commercial use of Alestra Servicios Móviles ⁽²⁾	Commercial	30 years	2048
Single concession for commercial use of Axe Redes ⁽³⁾	Commercial	30 years	2030
Various radio spectrum frequencies for the provision of point-to-point and point-to-multipoint microwave links ⁽⁴⁾	Commercial	20 years	2038

⁽¹⁾ Concession valid for 30 years and renewable for up to equal terms, provided that the Company is in compliance with all of its obligations under the concession, as well as those contained in the legal, regulatory and administrative provisions.

⁽²⁾ Concession valid for 30 years and renewable up to equal terms, provided that the Company is in compliance with all its obligations of the concession, as well as those contained in the legal, regulatory and administrative provisions.

⁽³⁾ Single concession that was transitioned from the Public Telecommunications Network Concession regime, valid for 30 years from the term initially granted, may be renewable for up to equal terms, as long as it is requested in the year prior to the last fifth of the term of the concession and is also in compliance with all its obligations under the concession, as well as those contained in the legal, regulatory and administrative provisions.

⁽⁴⁾ The radio spectrum concessions are to operate services in the following Radio Frequency Bands: 7 GHz, 10 GHz, 15 GHz, 23 GHz and 38 GHz.



Impairment testing of goodwill

At the date of issuance of the consolidated financial statements there was no impairment.

The following describes the discount rates and long-term growth rates used for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Discount rate, after tax	12.5%	12.1%	11.8%
Long-term growth rate	3.8%	3.0%	5.3%

12. OTHER NON-CURRENT ASSETS

	2023	2022	2021
Investments of shares	\$ 825	\$ 825	\$ 1,702
Long-term notes receivable	-	-	20,181
Prepaid connection leases	7,820	10,815	3,961
Guarantee deposits	47,435	49,665	51,113
Prepaid maintenance	244,969	274,276	188,180
Other	127,966	100,024	94,853
Total other non-current assets	\$ 429,015	\$ 435,605	\$ 359,990

13. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable are analyzed as follows:

	2023	2022	2021
Current:			
Trade accounts payable	\$ 1,360,792	\$ 1,833,222	\$ 2,138,117
Related parties	14,523	11,012	666
Value added tax and other federal and local taxes payable	190,586	498,962	430,546
Accrued expenses payable	147,875	115,544	161,126
Other	84,977	123,833	113,712
	\$ 1,798,753	\$ 2,582,573	\$ 2,844,167

14. PROVISIONS

	Litigation	Restructuring ⁽¹⁾	Total
As of January 1, 2021	\$ 18,417	\$ -	\$ 18,417
Additions	11,388	-	11,388
Payments	(321)	-	(321)
As of December 31, 2021	\$ 29,484	\$ -	\$ 29,484
Additions	-	-	-
Payments	(4,168)	-	(4,168)
As of December 31, 2022	\$ 25,316	\$ -	\$ 25,316
Additions	-	387,553	387,553
Payments	(11,573)	(303,120)	(314,693)
As of December 31, 2023	\$ 13,743	\$ 84,433	\$ 98,176

⁽¹⁾ Provisions due to restructuring include indemnities due to personnel changes.

Provisions as of December 31, 2023, 2022 and 2021 are short-term.

15. DEFERRED INCOME

Deferred income movements during the year are shown as follows:

	2023	2022	2021
Beginning balance	\$ 45,208	\$ 86,052	\$ 116,054
Increases	216,028	313,079	413,276
Recognized income of the year	(194,445)	(353,923)	(443,278)
Ending balance	\$ 66,791	\$ 45,208	\$ 86,052

16. DEBT

	2023	2022	2021
Banco Nacional de Comercio Exterior, S.N.C (Bancomext)	\$ 3,026,182	\$ 3,026,182	\$ 3,154,745
Syndicated loan	4,519,180	-	-
Senior Notes	-	7,787,641	9,056,740
Export Development Canada (EDC))	1,689,350	572,761	605,755
International Finance Corporation (IFC)	1,013,610	-	-
Other loans	41,894	121,863	24,815
Accrued interest payable	172,456	104,453	100,021
Issuance costs	(93,002)	(52,780)	(82,639)
Total debt	10,369,670	11,560,120	12,859,437
Current portion of debt	(214,351)	(375,506)	(252,072)
Non-current debt	\$ 10,155,319	\$ 11,184,614	\$ 12,607,365



The terms, conditions and carrying amounts of debt are as follows:

	Country	Currency	Interest rate		Maturity date	Interest payment periodicity	Al 31 de diciembre de		
			Contractual	Effective			2023	2022	2021
Bancomext	Mexico	MXN	TIIE + 2.10%	13.58%	05/01/2033	Quarterly	\$ 3,026,182	\$ 3,026,182	\$ 3,154,745
Syndicated loan	International	MXN	TIIE + 3.25%	14.75%	15/04/2028	Monthly	971,545	-	-
Syndicated loan	International	USD	SOFR + 3.25%	8.58%	15/04/2028	Monthly	3,547,635	-	-
Senior Notes	International	USD	6.375%	6.72%	14/11/2024	Semi-annually	-	7,787,641	9,056,740
EDC	Canada	MXN	TIIE + 1.75%	12.51%	25/06/2024	Monthly	-	50,000	50,000
EDC	Canada	USD	SOFR + 3.55%	8.89%	26/01/2028	Monthly	1,689,350	-	-
EDC	Canada	USD	SOFR + 2.11%	6.47%	25/06/2024	Monthly	-	522,761	555,755
IFC	USA	USD	SOFR + 3.40%	8.73%	15/11/2030	Quarterly	1,013,610	-	-
Other loans	Mexico	MXN	Varias	Varias	Varias	Quarterly	41,894	121,863	24,815
Total bank loans							10,290,216	11,508,447	12,842,055
Debt issuance costs							(93,002)	(52,780)	(82,639)
Accrued interest payable							172,456	104,453	100,021
Total debt							\$10,369,670	\$ 11,560,120	\$12,859,437

As of December 31, 2023, annual maturities of non-current debt are as follows:

	2025	2026	2027	2028 onwards	Total ⁽¹⁾
Bank loans	\$ 542,703	\$ 1,483,313	\$ 3,548,062	\$ 4,674,244	\$ 10,248,322
Senior Notes	-	-	-	-	-
Other loans	-	-	-	-	-
	\$ 542,703	\$ 1,483,313	\$ 3,548,062	\$ 4,674,244	\$ 10,248,322

(1) The total is presented gross of issuance costs.

Issuance costs of debentures and financings are directly attributable to issuance of the Company's debt and are amortized according to the effective interest rate over the lifetime of the debt.

Fair value of non-current debt is disclosed in Note 4. Estimated fair values as of December 31, 2023, 2022 and 2021 were determined using rates that reflect a similar credit risk depending on the currency, maturity period and country where the debt was acquired, regarding financial liabilities with financial institutions, finance leases, other liabilities and related parties. In the case of Senior Notes placed in international markets, the Company uses the market price of such Notes at the date of the consolidated financial statements. Measurement at fair value of such financial liabilities valued at amortized cost is deemed within Level 1 and 2 of the fair value hierarchy.



Covenants::

Loan agreements currently in effect contain restrictions for the Company, mainly to comply with certain financial ratios, delivery of financial information, keeping accounting records, compliance with applicable laws, rules and provisions. Failure to comply with these requirements within a specific term to the satisfaction of the creditors could be considered a cause for early termination.

Financial ratios to be fulfilled include the following:

- a. Interest coverage ratio: which is defined as adjusted EBITDA (See Note 28) divided by financial expenses, net, for the last four quarters of the period analyzed. As of December 31, 2023, this ratio cannot be less than 2.75 times.
- b. Net leverage ratio: which is defined as net consolidated debt (current and non-current debt, net of debt issuance costs, less unrestricted cash and cash equivalents) divided by adjusted EBITDA (See Note 28) for the last four quarters of the analyzed period. As of December 31, 2023, this ratio cannot be greater than 3.75 times.

Covenants contained in credit agreements establish certain obligations, conditions and exceptions that require or limit the capacity of the Company to:

- Grant liens on assets;
- Enter into transactions with affiliates;
- Conduct a merger in which the Company is dissolved;
- Unfavorable sale of assets;
- Change of control; and
- Pay dividends

As of December 31, 2023, and as of the date of issuance of these consolidated financial statements, the Company and its subsidiaries complied satisfactorily with the covenants established in the credit agreements.

17. LEASE LIABILITY

	As of December 31,		
	2023	2022	2021
Current portion:			
USD:	\$ 29,532	\$ 51,359	\$ 59,061
MXN:	78,223	169,609	205,203
Current lease liability	\$ 107,755	\$ 220,968	\$ 264,264
USD:	\$ 69,728	\$ 79,136	\$ 134,447
MXN:	191,136	241,822	349,807
	260,864	320,958	484,254
Less: Current portion of lease liability	107,755	220,968	264,264
Non-current lease liability	\$ 153,109	\$ 99,990	\$ 219,990

	2023	2022	2021
Beginning balance	\$ 320,958	\$ 484,254	\$ 627,024
New contracts	137,981	82,973	240,512
Write-offs	(766)	(1,284)	(107,991)
Interest expense from lease liability	29,927	37,695	54,702
Lease payments	(218,498)	(276,453)	(332,412)
Exchange (loss) gain	(8,738)	(6,227)	2,419
Ending balance	\$ 260,864	\$ 320,958	\$ 484,254

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

	As of December 31,		
	2023	2022	2021
- Less than 1 year	\$ 114,318	\$ 223,962	\$ 273,083
- Over 1 year and less than 5 years	139,699	94,631	207,176
- Over 5 years	21,814	6,016	16,241
Total	\$ 275,831	\$ 324,609	\$ 496,500



18. EMPLOYEE BENEFITS

Defined contributions plans:

The Company has a defined contribution plan. According to the structure of this plan, the reduction on labor liabilities is reflected progressively. The Company has established irrevocable trust funds for payment of the defined contribution plan. Due to the changes made in the 2014 tax reform, the Company interrupted the deposits to the trust; however, it has maintained this benefit and recognized labor obligations of \$502,661, \$421,430 and \$350,164 as of December 31, 2023, 2022 and 2021, respectively.

Defined benefit plans:

The valuation of employee benefits for retirement plans is based primarily on their years of service, current age and estimated salary at retirement date.

Following is a summary of the primary financial data of these employee benefits:

	2023	2022	2021
Obligations in the consolidated statement of financial position:			
Pension benefits	\$ 451,731	\$462,485	\$ 412,105
Post-employment medical benefits	11,281	7,340	4,231
Defined contribution additional liability	502,661	421,430	350,164
Liability recognized in the consolidated statement of financial position	\$965,673	\$ 891,255	\$ 766,500
Charge in the consolidated statement of income for:			
Pension benefits	\$ 69,977	\$ 59,284	\$ 60,357
Medical benefits to retirement	806	419	637
	\$ 70,783	\$ 59,703	\$ 60,994
Remeasurements for accrued employee benefit obligations recognized in other comprehensive income for the year	\$ 21,426	\$ 4,961	\$ (85,986)

Pension and post-employment medical benefits

The Company manages defined benefit pension plans based on employees' pensionable remuneration and length of service. Most of the plans are externally funded. The Company operates post-employment medical benefit plans. The accounting method, assumptions and frequency of the valuations are similar to those used for defined benefits in pension schemes. These plans are not fully funded.

The movement in the defined benefit obligation during the year was as follows:

	2023	2022	2021
As of January 1	\$ 469,824	\$ 416,336	\$ 452,388
Current service cost	28,979	27,532	29,600
Financial cost	41,804	32,171	31,394
Actuarial remeasurements	21,426	4,961	(85,986)
Benefits paid	(9,083)	(3,453)	(3,832)
Reductions	(89,938)	(7,723)	(7,228)
As of December 31	\$ 463,012	\$469,824	\$ 416,336

The primary actuarial assumptions were as follows:

	2023	2022	2021
Discount rate	9.75%	9.25%	7.75%
Future wage increase	5.50%	5.00%	4.50%
Medical inflation rate	7.00%	7.00%	7.00%



The sensitivity analysis of the main assumptions for defined benefit obligations were as follows:

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(\$30,060)	\$ 34,022
Medical inflation rate	1%	(\$6,886)	\$ 4,959

The sensitivity analyses mentioned above are based on a change in an assumption, while all other assumptions remain constant. In practice, this is not likely to happen, and there may be changes in other correlated assumptions. When calculating the sensitivity of pension plans to principal actuarial assumptions, the same method has been used as if it involved calculation of liabilities pertaining to pension benefit plans recorded in the consolidated statement of financial position. The methods and type of assumptions used in preparing the sensitivity analysis suffered no changes with respect to the prior period.

19. INCOME TAXES

a) Income taxes recognized in the consolidated statement of income:

	2023	2022	2021
Current income tax	\$ -	\$ (561)	\$ (9,338)
Deferred income tax charge	61,194	48,887	393,265
Prior years' adjustment	(151)	(94)	(31,522)
Income tax expense	\$ 61,043	\$ 48,232	\$ 352,405

b)

	2023	2022	2021
Income (loss) income before taxes	\$ 253,262	\$ (87,046)	\$ (1,149,147)
Statutory rate	30%	30%	30%
(Expense) benefit at statutory rate	(75,979)	26,114	344,744
(Plus) less tax effect on:			
Tax effects of inflation	(115,018)	(248,144)	(76,082)
Non-deductibles	(33,892)	(26,150)	(17,228)
Other differences, net	285,932	296,412	100,971
Total income tax benefit recognized in income statement	\$ 61,043	\$ 48,232	\$ 352,405
Effective rate	24%	(55)%	(31)%

c) The detail of deferred income tax asset (liability) is as follows:

	2023	2022	2021
Tax loss carryforwards	\$ 1,102,946	\$ 1,060,135	\$ 1,118,770
Allowance for doubtful accounts	387,590	410,395	481,081
Property, plant and equipment	1,346,101	1,458,128	1,093,232
Provisions and other	134,683	18,052	140,288
Intangible assets and other	(9,661)	11,245	22,739
Deferred tax asset	\$ 2,961,659	\$ 2,957,955	\$ 2,856,110
Property, plant and equipment	\$ (2,007)	\$ (126,602)	\$ (1,128)
Intangible assets and other	1,603	(18,347)	(6)
Tax loss carryforwards	-	69,389	-
Deferred tax liability	\$ (404)	\$ (75,560)	\$ (1,134)

Deferred income tax assets are recognized over tax loss carryforwards to the extent the realization of the related tax benefit through future tax income is likely. Tax losses as of December 31, 2023 for which a tax asset was recognized amount to \$3,676,485.



Tax losses as of December 31, 2023 expire in the following years:

Year of expiration	Amount
2026	\$ 3,067,918
2029 y posteriores	608,567
	\$ 3,676,485

d) The tax charge/(credit) related to other comprehensive (loss) income is as follows:

	2023			2022			2021		
	Before taxes	Tax charged/(credited)	After taxes	Before taxes	Tax charged/(credited)	After taxes	Before taxes	Tax charged/(credited)	After taxes
Effect of currency translation	\$ (2,881)	\$ -	\$ (2,881)	\$ (1,446)	\$ -	\$ (1,446)	\$ 732	\$ -	\$ 732
Fair value of derivative financial instruments	(37,091)	11,127	(25,964)	34,691	(10,407)	24,284	171,827	(51,548)	120,279
Remeasurements of employee benefits	(21,426)	6,428	(14,998)	(4,961)	1,488	(3,473)	85,986	(25,796)	60,190
	\$ (61,398)	\$ 17,555	\$ (43,843)	\$ 28,284	\$ (8,919)	\$ 19,365	\$258,545	\$ (77,344)	\$181,201

20. STOCKHOLDERS' EQUITY

At the General Extraordinary Stakeholders' Meeting held on March 7, 2023, a reserve for share repurchase of \$100 million pesos was approved. For the year ended December 31, 2023, 28,938,371 shares were repurchased.

At the General Ordinary Stockholders' Meeting held on March 7, 2022, the Company approved the cancellation of 424,991,364 Class "I", Series "B" common nominative shares representing the Company's capital stock, equivalent to 60,713,052 Ordinary Certificates, from the acquisition of own shares program that were in the Company's treasury.

As a consequence of the foregoing, the reduction of the capital stock in its fixed part was resolved in the amount of \$9,747, an amount that is equal to the theoretical value of the canceled shares.

At the Ordinary General Stockholders' Meeting held on March 7, 2022, a reserve for the repurchase of shares of \$200 million pesos was approved. Additionally, a maximum amount of resources remain in force during the following fiscal years, unless an Ordinary Stockholders' Meeting resolves to allocate a different amount to the purchase of treasury shares.

At the Ordinary General Stockholders' Meeting held on March 5, 2021, a reserve for the



repurchase of shares of \$200 million pesos was approved. For the year ended December 31, 2021, share repurchases were made for a total of 12,833,744 shares, which represented a decrease in the fund of \$9,876.

As of December 31, 2023, 2022 and 2021, the balance of the reserve for the repurchase of share is \$95,965, \$200,000 and \$190,124, respectively.

After the above-mentioned events, 19,795,297,746 Class “I”, Series “B” common nominative shares, with no par value, entirely subscribed and paid in. As of that date, all series “B” shares issued by the Company were placed in a trust (CPO Trust).

Movements on the number of common shares of the Company during the year was as follows:

	Number of shares
Beginning balance January 1, 2021	19,837,069,861
Repurchase of shares	12,833,744
Shares as of December 31, 2021	19,824,236,117
Repurchase of shares	-
Shares as of December 31, 2022	19,824,236,117
Repurchase of shares	28,938,371
Shares as of December 31, 2023	19,795,297,746

Net income for the year is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (“CUFIN” for its acronym in Spanish). Dividends exceeding CUFIN will generate income tax at the applicable rate of the period in which they

are paid. This tax incurred is payable by the Company and may be credited against income tax in the same year or the following two years. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payments. As of December 31, 2023, the tax value of the CUFIN and tax value of the Capital Contribution Account (“CUCA” for its acronym in Spanish) amounted to \$1,308,786 and \$31,236,727, respectively.

In case of capital reduction, the procedures established by the Income Tax Law provide that any surplus of stockholders’ equity be given over the balances of the fiscal accounts of the capital contributed, the same tax treatment applicable to dividends.

21. REVENUES

a. Income for services:

	2023	2022	2021
Voice	\$ 842,326	\$ 914,829	\$ 1,023,919
Managed networks	3,328,828	3,251,309	3,598,641
Internet data	4,233,654	4,192,632	4,553,229
Administrative applications	180,352	190,701	222,787
Hosting	343,124	273,832	359,020
System integration	829,230	652,537	686,741
Security	613,723	493,251	506,289
Cloud services	495,706	425,026	335,385
Other services	88,943	85,479	103,483
Total	\$ 10,955,886	\$ 10,479,596	\$ 11,389,494

b. Income by geographical areas:

	2023	2022	2021
Mexico	\$ 10,949,069	\$ 10,468,216	\$ 11,376,083
Outside Mexico	6,817	11,380	13,411
Total	\$ 10,955,886	\$ 10,479,596	\$ 11,389,494



22. EXPENSES CLASSIFIED BY THEIR NATURE

Total cost of sales and selling and administrative expenses, classified by nature of the expense, were as follows:

	2023	2022	2021
Service cost ⁽¹⁾	\$ 3,168,613	\$ 2,792,788	\$ 3,138,292
Employee benefit expenses (Note 25)	2,425,943	2,335,222	2,360,066
Maintenance	544,803	544,282	599,006
Depreciation and amortization	2,450,587	2,806,263	3,179,364
Advertising expenses	18,686	19,787	21,544
Energy and fuel consumption	261,981	277,250	257,394
Travel expenses	28,884	22,422	11,833
Lease expenses	1,007,233	948,345	942,627
Technical assistance, professional fees and administrative services	188,494	185,866	132,483
Other	279,191	449,993	101,278
Total	\$ 10,374,415	\$ 10,382,218	\$ 10,743,887

⁽¹⁾ Service cost consists mainly of interconnection costs and costs related to implementation of IT solutions, including:

- Charges related to leased lines, normally paid on a per-circuit basis per month to Telmex and to other suppliers of last-mile access.
- Interconnection costs, including charges for local and resale access, paid on a per-minute basis mainly to Telmex.
- International payments to foreign operators on a per-minute basis to complete international calls originating in Mexico.

23. OTHER INCOME (EXPENSES), NET

	2023	2022	2021
Impairment of non-current assets	\$ (16,011)	\$ (8,038)	\$ (30,790)
Impairment of investments	-	(22,844)	(290,114)
Gain (loss) on sale of property, plant and equipment	78,417	25,449	(1,327)
Other income (expenses), net ⁽¹⁾	(68,136)	81,927	(31,128)
Total other income (expenses), net	\$ (5,730)	\$ 76,494	\$ (353,359)

⁽¹⁾ Reorganization expenses of \$387,553.

24. FINANCIAL RESULT, NET

	2023	2022	2021
Financial income:			
Interest income on short-term bank deposits	\$ 43,301	\$ 81,622	\$ 24,909
Other financial income	213,419	204,557	-
Total financial income	\$ 256,720	\$ 286,179	\$ 24,909
Financial expenses:			
Interest expense on bank loans	\$ (787,193)	\$ (355,636)	\$ (357,867)
Interest expense on senior notes	(259,753)	(611,410)	(650,613)
Interest expense on leases	(29,927)	(37,695)	(54,702)
Financial expenses related to employee benefits	(41,804)	(32,171)	(31,394)
Other financial expenses	(115,912)	(21,442)	(94,133)
Total financial expenses	\$ (1,234,589)	\$ (1,058,354)	\$ (1,188,709)

	2023	2022	2021
Exchange fluctuation gain (loss), net:			
Gain on exchange fluctuation	\$ 5,080,696	\$ 5,229,662	\$ 7,601,212
Loss on exchange fluctuation	(4,425,305)	(4,718,405)	(7,878,807)
Exchange fluctuation gain (loss), net	\$ 655,391	\$ 511,257	\$ (277,595)

25. EMPLOYEE BENEFIT EXPENSES

	2023	2022	2021
Salaries, wages and benefits	\$ 1,965,226	\$ 1,906,718	\$ 1,933,976
Social security fees	356,125	329,048	327,803
Employee benefits	28,979	27,532	29,600
Other fees	75,613	71,924	68,687
Total	\$ 2,425,943	\$ 2,335,222	\$ 2,360,066

Labor Reform Related to Vacations

On December 27, 2022, a decree was published by means of which articles 76 and 78 of the Federal Labor Law ("LFT" for its acronym in Spanish) for Mexico were reformed, which will be effective on January 1, 2023. The main changes resulting from this labor reform considers the increase in the minimum annual vacation period for workers with more than one year of service.



The Company evaluated the accounting impacts generated by this labor reform and determined that the increases in the vacation and vacation premium provision, as a result of the increase in vacation days, were not significant as of December 31, 2023.

26. TRANSACTIONS WITH RELATED PARTIES

Balances with related parties as of December 31, 2023, 2022 and 2021, were as follows:

December 31, 2023		
	Accounts receivable	Accounts payable
Affiliates	\$ 21,922	\$ 14,523
Total	\$ 21,922	\$ 14,523

December 31, 2022		
	Accounts receivable	Accounts payable
Affiliates	\$ 15,158	\$ 11,012
Total	\$ 15,158	\$ 11,012

December 31, 2021		
	Accounts receivable	Accounts payable
Affiliates	\$ 35,260	\$ 666
Total	\$ 35,260	\$ 666

Transactions with related parties for the years ended December 31, 2023, 2022 and 2021, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	Income	Year ended December 31, 2023 Costs and expenses	
	Servicios de telecomunicación	Intereses	Otros
Affiliates	\$ 160,637	\$ -	\$ 45,933
Total	\$ 160,637	\$ -	\$ 45,933

	Income	Year ended December 31, 2022 Costs and expenses	
	Telecommunication services	Interests	Others
Affiliates	\$ 166,096	\$ -	\$ 38,884
Total	\$ 166,096	\$ -	\$ 38,884

	Income	Year ended December 31, 2021 Costs and expenses	
	Telecommunication services	Interests	Others
Affiliates	\$ 145,073	\$ -	\$ 7,387
Total	\$ 145,073	\$ -	\$ 7,387

For the year ended December 31, 2023, 2022 and 2021, compensation and benefits paid to the Company's main officers totaled \$95,565, \$67,357 and \$66,098, respectively, comprised of base salary and benefits required by law, complemented by a program of variable compensation basically based on the Company's results and the market value of Axtel's shares.



27. CONTINGENCIES AND COMMITMENTS

As of December 31, 2023, there are the following commitments and contingencies with respect to Axtel and subsidiaries:

I. Contingencies

A. Interconnection Disagreements with other Mobile Operators.

a Radiomóvil Dipsa, S. A. de C. V. (Telcel).

2019 rates

- i. An amparo lawsuit, in matters of ITX and virtual mobile networks, where Axtel appears as an interested third party.
- ii. January 2019: The Company was notified of a writ filed by Telcel against the rates determined by the IFT, in terms of ITX and as Axtel's Virtual Mobile Operator (OMV), for the period of 2019.
- iii. Current status: First instance, denied protection to Telcel (2023), review in progress, we filed adhesive, prospective favorable matter due to precedents of the Supreme Court of Justice of the Nation ("SCJN", for its acronym in Spanish).

2020 rates

- i. An amparo lawsuit, in matters of ITX and virtual mobile networks, where Axtel appears as an interested third party.
- ii. January 2020: The Company was notified of a writ filed by Telcel against the rates determined by the IFT, in terms of ITX and as Axtel's Virtual Mobile Operator (OMV), for the year 2020.

- iii. Current status: First instance, given the precedents resolved by the SCJN, the outlook is favorable.

Tarifas 2021

- i. An amparo lawsuit, in matters of ITX and virtual mobile networks, where Axtel appears as an interested third party.
- ii. January 2021: The Company was notified of a writ filed by Telcel against the rates determined by the IFT, in terms of ITX and as Axtel's Virtual Mobile Operator (OMV), for the year 2021.
- iii. Current status: First instance, denied protection to Telcel (2023), review in progress, we filed adhesive, prospective favorable matter due to precedents of the SCJN.

2022 rates

- i. Two amparo lawsuits, in matters of ITX and virtual mobile networks, where Axtel and Alestra Servicios Móviles (ASM) appear as an interested third party.
- ii. January 2022: The Company was notified of a writ filed by Telcel against the rates determined by the IFT, in terms of ITX, for the year 2022.
- iii. January 2022: The Company was notified of a writ filed by Telcel against the rates determined by the IFT, in terms of ITX and as Axtel's OMV, for the year 2022.
- iv. Current status: First instance, given the precedents resolved by the SCJN, the outlook is favorable.



2023 rates

- i. Two amparo lawsuits, in matters of ITX and virtual mobile networks, where Axtel and Alestra Servicios Móviles (ASM) appear as an interested third party.
- ii. January 2023: The Company was notified of a writ filed by Telcel against the rates determined by the IFT, in terms of ITX, for the year 2023.
- iii. January 2023: The Company was notified of a writ filed by Telcel against the rates determined by the IFT, in terms of ITX and as ASM's OMV, for the year 2023.
- iv. Current status: First instance, given the precedents resolved by the SCJN, the outlook is favorable.

As of the date of issuance, the Company and its advisers consider that the rates will prevail based on the resolutions obtained before the IFT, especially since the precedents resolved by the SCJN are favorable to Axtel's interests, therefore, it is estimated that there is no longer an adverse scenario.

As of the date of issuance, the Company has recognized and paid the cost based on the rates determined by the IFT, and there are no provisions associated with this contingency.

b Grupo Telefónica.**2018 rates**

- i. Two amparo lawsuits, on ITX and virtual mobile networks, where Axtel is an interested third party.

- ii. January 2018: the Company was notified of two writs filed by Telefonica against the rates for the 2018 period determined by the IFT.
- iii. June 2018: the Company was notified of an amparo lawsuit filed by Telefonica against OMV's ITX rates for the period of 2018, determined by the IFT.
- iv. Current status: Amparo trial vs OMV definitively concluded in favor of Axtel. ITX trial denied protection to Telefónica, review in progress, we filed adhesive.

2019 rates

- i. An amparo lawsuit, on ITX and virtual mobile networks, where Axtel is an interested third party.
- ii. June 2019: the Company was notified of a lawsuit filed by Telefonica against the rates for the period of 2019, determined by the IFT.
- iii. Current status: First instance, denied protection to Telefónica, review in progress, we filed adhesive, prospective favorable matter given the precedents resolved by the SCJN.

2020 rates

- i. Two amparo lawsuits, on ITX and virtual mobile networks, where Axtel is an interested third party.
- ii. June 2020: the Company was notified of a lawsuit filed by Telefonica against the rates for the year 2020, determined by the IFT.



- iii. Current status: First instance, denied protection to Telefónica, review in progress, we filed adhesive, prospective favorable matter given the precedents resolved by the SCJN.

As of the date of issuance, the Company and its advisers consider that the rates will prevail based on the resolutions obtained before the IFT, especially since they have precedent in the Máximo Tribunal, therefore, it is estimated that an adverse scenario no longer exists.

Therefore, the Company has recognized and paid the cost based on the rates determined by the IFT, and there are no provisions associated with this contingency.

C Grupo AT&T.

2020 rates

- i. An amparo lawsuit, on ITX and virtual mobile networks, where Axtel is an interested third party.
- ii. January 2020: the Company was notified of an amparo lawsuit filed by AT&T against the rates for the year 2020, determined by the IFT.
- iii. Current status: Dismissal for various wrongdoings, without challenge by the plaintiff. Concluded definitely in a favorable sense..

As of the date of issuance, the rates will prevail based on the resolutions obtained before the IFT, since all the lawsuits have been resolved favorably for Axtel, therefore, it is estimated that there is no longer an adverse scenario.

As of the date of issuance, the Company has recognized and paid the cost based on the rates determined by the IFT, and there are no provisions associated with this contingency.

d Telmex & Telnor.

2018 rates

- i. A lawsuit regarding OMV, Axtel is considered an interested third party.
- ii. January 2018: The Company was notified of two lawsuits (ITX / OMV), against the rates for the year 2018, determined by the IFT
- iii. Current status: The ITX trial was concluded definitively in a favorable sense (2022). The OMV trial was ultimately resolved favorably for Axtel by agreement between the parties.

2019 rates

- i. A lawsuit regarding ITX / OMV, Axtel is considered an interested third party.
- ii. January 2019: The Company was notified of two lawsuits, against the rates for the 2019 period, determined by the IFT
- iii. Current status: The writ filed against ITX was concluded definitely in a favorable sense (2022). The OMV trial was ultimately resolved favorably for Axtel by agreement between the parties.



2020 rates

- i. A lawsuit regarding ITX / OMV, Axtel is considered an interested third party..
- ii. January 2020: The Company was notified of one amparo lawsuit, against the rates for the 2020 period, determined by the IFT
- iii. Current status: The trial was ultimately resolved favorably for Axtel by agreement between the parties.

2021 rates

- i. An amparo lawsuit, on ITX and virtual mobile networks, where Axtel is an interested third party.
- ii. February 2021: the Company was notified of an amparo lawsuit filed against the rates for the year 2021.
- iii. Current status: The trial was ultimately resolved favorably for Axtel by agreement between the parties..

2022 rates

- i. A lawsuit regarding ITX / OMV, Axtel is considered an interested third party.
- ii. January 2022: the Company was notified of an amparo lawsuit filed against the rates for the year 2022, determined by the IFT.
- iii. Current status: The trial was ultimately resolved favorably for Axtel by agreement between the parties.

2023 rates

- i. A lawsuit regarding ITX / OMV, Axtel is considered an interested third party.
- ii. December 2022: the Company was notified of an amparo lawsuit filed against the rates for the year 2022, determined by the IFT.
- iii. Current status: The trial was ultimately resolved favorably for Axtel by agreement between the parties.

As of December 31, 2023, the Company and its advisers consider that the rates will prevail based on the resolutions obtained before the IFT, especially since there are favorable precedents in the Máximo Tribunal and a series of litigation precedents favorable to the company, therefore, it is estimated that an adverse scenario no longer exists.

As of the date of issuance, the Company has recognized and paid the cost based on the rates determined by the IFT, and there are no provisions associated with this contingency.

B. Strategic Commercial Litigation**I. Lawsuits between Axtel and Solution Ware Integración, S. A. de C. V. (“Solution Ware”)**

- i. Axtel and Solution Ware participated in projects with the Government of Nuevo León, Secretariat of Labor and Social Welfare, Secretariat of Social Development, National Population Registry, National Forestry Commission, Seguros Monterrey and the Government of Tamaulipas.

Solution Ware filed various ordinary lawsuits in which it claims Axtel



to pay for some purchase orders for services, as well as interest, damages and lost profits in addition to legal expenses and costs.

The lawsuits concerning the Merger Opposition agreements, the Secretariat of Labor and Social Welfare, CONAFOR, Registro Nacional de Población, the Government of Tamaulipas and the Secretariat of Social Development definitively concluded in favor of the Company.

In 2023, the only remaining trial, related to the Government of Nuevo León, concluded favorably, therefore, it is noted that this contingency has concluded favorably. Lawsuits between Axtel and Integradores y Operadores del Norte S. A. de C. V.

II. Axtel, in 2007, hired Integradores y Operadores del Norte S.A. de C.V. (ION).

In 2017, ION filed a lawsuit claiming Axtel to pay \$113,000 for services, interest, damages and costs.

In October 2020, ION obtained a favorable protection, managing to modify the sentence in his favor to collect \$12,199. The Company has made the corresponding reserve to face this contingency.

In 2022, the Company obtained an amparo ruling in its favor, modifying the sentence against it.

In March 2023, ION challenged the amparo ruling seeking to reverse the direction in its favor, a process being studied for resolution.

III. Compensatory Procedures in the Federal Superior Auditors (“ASF” for its acronym in Spanish)

By May 2019, the ASF determined a compensation liability of \$34.1 million against S&C Constructores de Sistemas, S.A. de C.V., which was challenged by the TFJA, which, in April 2021, issued a judgment against the interests of the company, reason why an amparo proceeding was filed. Finally, the Supreme Court in Direct Amparo in Review agreed with the Company, revoking the previous ruling. Currently, the Collegiate Court is expected to issue a new sentence in accordance with what was ordered by the SCJN.

With respect to the foregoing, in March 2023, the SAT calculated an update and surcharges of \$45.2 million, a determination that was challenged by an administrative lawsuit, which is currently suspended with the administrative enforcement procedure until the Mexican Federal Judiciary resolves the main matter. The tax credit is guaranteed.

In this regard, the Company and its advisors consider a big possibility of obtaining a highly favorable outlook for both litigations given the ruling issued by the SCJN.

IV. Lawsuit between Axtel and Secretariat of Welfare

In 2022, Axtel filed an annulment lawsuit before the Federal Court of Administrative Justice, against the Secretariat of Welfare, in which a payment of \$24.3 million is claimed for the provision of services in the year 2020.

The matter concluded favorably in the first and second instance for Axtel; a review is currently being processed to improve the scope of the ruling.

In this sense, the Company and its advisors consider the possibility of obtaining a result with favorable prospects for said trial.



C. Other contingencies and notes:

The Company is involved in various lawsuits and claims, derived from the normal course of its operations, which are expected not to have a significant effect on its financial position and future results, and provisions, were recorded in the books associated with these contingencies.

28. SEGMENT INFORMATION

Starting in 2023, the information used by the CEO, who is the highest authority in making operational decisions, allocation of resources and evaluation of performance, is presented through its business units: business, government and wholesale. Therefore, derived from the new approach of evaluating the business, the segment information of 2022 and 2021 has been restructured for comparative purposes.

The service segment portfolio for the business and government clients includes advanced solutions for managed networks, collaboration and information technology (IT) such as systems integration, cloud services, cybersecurity, among others. On the other hand, the connectivity solutions of the wholesale unit for wholesale clients or operators (including the services unit) include last-mile access, IP transit, spectrum, fiber to the tower and fiber to the data center, among others.

Axtel has the second largest fiber network in Mexico, with an infrastructure of approximately 48,800 kilometers of fiber (including 13,400 kilometers of capacity).

In addition to the three operating segments focused on the client, the remaining operations of the Company are included in the “Unallocated expenses” category to be included in the consolidated results of the Company. This category includes expenses associated with centralized functions, including procurement, supply chain and the Company’s senior management.

These operating segments are managed separately since the products and services offered and the markets in which they are focused are different. The resources are allocated to the operational segments considering the strategies defined by the Company’s Management. Transactions between the operating segments are carried out at market values.

The performance of the operating segments is measured based on the Business Unit Contribution (BUC), defined as the operating profit of each segment, including sales, costs per segment and direct segment expenses, as included in internal financial reports reviewed by the Chief Executive Officer.

The Company defines Adjusted EBITDA as the result of adding to the operating profit (loss), depreciation and amortization and the impairment of non-current assets; it is considered a useful measure of the operational performance of the business since it provides a significant analysis of commercial performance by excluding specific items reported separately due to their nature or incidence. Income or interest expenses are not allocated to reportable segments, since this activity is handled globally by central treasury.

When projects are not directly attributed to a particular operating segment, capital expenditure is allocated to each segment based on the rate of future economic benefits estimated as a result of capital expenditure.

Below is the consolidated financial information of the information segments:



I. Financial information by segments:

	2023			Total
	Business	Government	Wholesale	
Sales by segment	\$7,936,314	\$1,229,730	\$ 1,789,842	\$ 10,955,886
Service cost	(2,171,388)	(694,516)	(302,709)	(3,168,613)
Expenses	(702,842)	(112,502)	(241,837)	(1,057,181)
Business unit contribution (BUC)	5,062,084	422,712	1,245,296	6,730,092
Unallocated expenses				(3,300,203)
Adjusted EBITDA before reorganization expenses				3,429,889
Reorganization expenses				(387,553)
Adjusted EBITDA				3,042,336
Impairment of non-current assets				(16,008)
Depreciation and amortization				(2,450,587)
Operating income				575,741
Financial result, net				(322,478)
Profit before taxes				\$ 253,263

	2022			Total
	Empresarial	Gobierno	Mayorista	
Sales by segment	\$7,539,397	\$1,007,310	\$1,932,889	\$ 10,479,596
Service cost	(2,013,915)	(443,221)	(335,652)	(2,792,788)
Expenses	(708,748)	(9,894)	(219,182)	(937,824)
Business unit contribution (BUC)	4,816,734	554,195	1,378,055	6,748,984
Unallocated expenses				(3,737,967)
Adjusted EBITDA				3,011,017
Impairment of non-current assets				(30,882)
Depreciation and amortization				(2,806,263)
Operating income				173,872
Financial result, net				(260,918)
Loss before taxes				\$ (87,046)

	2021			Total
	Empresarial	Gobierno	Mayorista	
Sales by segment	\$7,491,812	\$1,335,722	\$2,561,960	\$11,389,494
Service cost	(1,938,936)	(783,447)	(415,909)	(3,138,292)
Expenses	(684,701)	(106,766)	(49,071)	(840,538)
Business unit contribution (BUC)	4,868,175	445,509	2,096,980	7,410,664
Unallocated expenses				(3,618,148)
Adjusted EBITDA				3,792,516
Impairment of non-current assets				(320,904)
Depreciation and amortization				(3,179,364)
Operating income				292,248
Financial result, net				(1,441,395)
Loss before taxes				\$ (1,149,147)

29. SUBSEQUENT EVENTS

In preparing the consolidated financial statements, the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2023 and through January 31, 2024, (issuance date of the consolidated financial statements), has not identified any relevant events.

30. AUTHORIZATION TO ISSUE THE CONSOLIDATED FINANCIAL STATEMENTS

On January 31, 2024, the issuance of the accompanying consolidated financial statements was authorized by Armando de la Peña González, Chief Executive Officer, Adrián de los Santos Escobedo, Chief Financial Officer, and José Salvador Martín Padilla, Corporate Controller.

These consolidated financial statements are subject to the approval of the Company's ordinary stockholders' meeting.

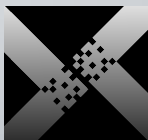
* * * * *



GRI content index

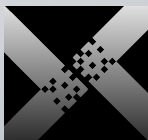
Universal Standards

GRI STANDARD	CONTENT	PAGE OR RESPONSE
GRI 1 FOUNDATION 2021		
GRI 2 GENERAL DISCLOSURES 2021		
1. THE ORGANIZATION AND ITS REPORTING PRACTICES		
GRI 2 General Disclosures 2021	2-1 Organizational details.	Axtel, S.A.B. de C.V. 49
	2-2 Entities included in the organization's sustainability reporting.	76
	2-3 Reporting period, frequency and contact point.	2
	2-4 Restatements of information.	2
	2-5 External assurance.	2
2. ACTIVITIES AND WORKERS		
GRI 2 General Disclosures 2021	2-6 Activities, value chain, and other business relationships.	49, 84
	2-7 Employees.	104
	2-8 Workers who are not employees.	104
3. GOVERNANCE		
GRI 2 General Disclosures 2021	2-9 Governance structure and composition.	62
	2-10 Nomination and selection of the highest governance body.	62
	2-11 Chair of the highest governance body.	62
	2-12 Role of the highest governance body in overseeing the management of impacts.	33, 62
	2-13 Delegation of responsibility for managing impacts.	33, 62
	2-14 Role of the highest governance body in sustainability reporting.	2
	2-15 Conflicts of interest.	62, 91
	2-16 Communication of critical concerns.	62, 91
	2-17 Collective knowledge of the highest governance body.	62
	2-18 Evaluation of the performance of the highest governance body.	The Board of Directors of Axtel does not receive a performance evaluation and we do not have a defined date to do so.
	2-19 Remuneration policies.	62, 104
2-20 Process to determine remuneration.	62, 104	
2-21 Annual total compensation ratio.	62, 104	



Universal Standards

GRI STANDARD	CONTENT	PAGE OR RESPONSE	
4. STRATEGY, POLICIES AND PRACTICES			
GRI 2 General Disclosures 2021	2-22	Statement on sustainable development strategy.	4
	2-23	Policy commitments.	14, 15, 62, 89
	2-24	Embedding policy commitments.	89
	2-25	Processes to remediate negative impacts.	91
	2-26	Mechanisms for seeking advice and raising concerns.	91
	2-27	Compliance with laws and regulations.	During 2023 we had no breaches of laws and regulations.
	2-28	Membership associations.	12, 15
5. STAKEHOLDER ENGAGEMENT			
GRI 2 General Disclosures 2021	2-29	Approach to stakeholder engagement.	41
	2-30	Collective bargaining agreements.	Not applicable. Axtel does not have unionized workers.
GRI 3 MATERIAL TOPICS 2021			
GRI 3 Material Topics 2021	3-1	Process to determine material topics.	19
	3-2	List of material topics.	22



GRI CONTENT
INDEX

SASB INDEX

TCFD INDEX

VERIFICATION
LETTER

Topic Standards

GRI STANDARD		CONTENT	PAGE OR RESPONSE
MATERIAL TOPIC: CYBERSECURITY			
GRI 3 Material Topics	3-3	Management of material topics.	97
MATERIAL TOPIC: ENERGY AND EMISSIONS			
GRI Material topics 2021	3-3	Management of material topics.	128, 131
GRI 302 Energy 2016	302-1	Energy consumption within the organization.	128
	302-2	Energy consumption outside of the organization.	128
	302-3	Energy intensity.	128
GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions.	131
	305-2	Energy indirect (Scope 2) GHG emissions.	131
	305-3	Other indirect (Scope 3) GHG emissions.	131
	305-4	GHG emissions intensity.	131
	305-5	Reduction of GHG emissions.	131
MATERIAL TOPIC: TRAINING AND CAPACITY BUILDING			
GRI Material topics 2021	3-3	Management of material topics.	112
GRI 404 Training and education 2016	404-1	Average hours of training per year per employee.	112
	404-2	Programs for upgrading employee skills and transition assistance programs.	112
	404-3	Percentage of employees receiving regular performance and career development reviews.	112

Topic Standards

GRI STANDARD		CONTENT	PAGE OR RESPONSE
MATERIAL TOPIC: CUSTOMER PRIVACY			
GRI Material topics 2021	3-3	Management of material topics.	100
GRI 418 Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	101
MATERIAL TOPIC: RISK MANAGEMENT			
GRI Material topics 2021	3-3	Management of material topics.	33
MATERIAL TOPIC: NETWORK QUALITY AND RELIABILITY			
GRI Material topics 2021	3-3	Management of material topics.	82
MATERIAL TOPIC: OPERATIONAL RESILIENCE			
GRI Material topics 2021	3-3	Management of material topics.	39, 82
MATERIAL TOPIC: DIGITAL INCLUSION			
GRI Material topics 2021	3-3	Management of material topics.	142
MATERIAL TOPIC: CIRCULAR ECONOMY AND E-WASTE			
GRI Material topics 2021	3-3	Management of material topics.	136
GRI 306 Waste 2020	306-3	Waste generated.	136
	306-4	Waste diverted from disposal.	136
	306-5	Waste directed to disposal.	136
MATERIAL TOPIC: GENDER EQUALITY			
GRI Material topics 2021	3-3	Management of material topics.	66, 104
GRI 405 Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees.	66, 104
	405-2	Ratio of basic salary and remuneration of women to men.	104

Topic Standards

GRI STANDARD	CONTENT	PAGE OR RESPONSE	
GRI 200: ECONOMIC STANDARDS			
GRI 201 Economic performance 2016	201-1	Direct economic value generated and distributed.	8
	201-2	Financial implications and other risks and opportunities due to climate change.	35
	201-3	Defined benefit plan obligations and other retirement plans.	Partially reported. 62, 104
	201-4	Financial assistance received from government.	During 2023 we did not receive financial assistance from any government.
GRI 202 Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage.	104
	202-2	Proportion of senior management hired from the local community.	104
GRI 204 Procurement practices 2016	204-1	Proportion of spending on local suppliers.	137
GRI 205 Anti-corruption 2016	205-1	Operations assessed for risks related to corruption.	91
	205-2	Communication and training about anti-corruption policies and procedures.	91, 137
	205-3	Confirmed incidents of corruption and actions taken.	91
GRI 206 Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	91
GRI 207 Tax 2019	207-1	Approach to tax.	80
	207-2	Tax governance, control, and risk management.	80
	207-3	Stakeholder engagement and management of concerns related to tax.	80
	207-4	Country-by-country reporting.	80
GRI 300: ENVIRONMENTAL STANDARDS			
GRI 301 Materials 2016	301-2	Recycled input materials used.	136
GRI 302 Energy 2016	302-4	Reduction of energy consumption.	128
GRI 303 Water and effluents 2018	303-1	Interactions with water as a shared resource.	135
	303-2	Management of water discharge-related impacts.	135
	303-5	Water consumption.	135
GRI 308 Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria.	137
	308-2	Negative environmental impacts in the supply chain and actions taken.	137

Topic Standards

GRI STANDARD	CONTENT	PAGE OR RESPONSE
GRI 400: SOCIAL STANDARDS		
GRI 401 Employment 2016	401-1 New employee hires and employee turnover.	104
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees.	104
	401-3 Parental leave.	104
GRI 403 Occupational health and safety 2018	403-1 Occupational health and safety management system.	118
	403-2 Hazard identification, risk assessment, and incident investigation.	118
	403-3 Occupational health services.	118
	403-4 Worker participation, consultation, and communication on occupational health and safety.	118
	403-5 Worker training on occupational health and safety.	118
	403-6 Promotion of worker health.	118
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	118
	403-8 Workers covered by an occupational health and safety management system.	118
	403-9 Work-related injuries.	118
	403-10 Work-related ill health.	118
GRI 406 Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken.	91
GRI 407 Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	137
GRI 408 Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor.	137
GRI 409 Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor.	137
GRI 410 Security practices 2016	410-1 Security personnel trained in human rights policies or procedures.	91
GRI 411 Rights of indigenous peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples.	During 2023 we did not receive any complaints related to this issue.
GRI 413 Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs.	142
GRI 414 Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria.	137
	414-2 Negative social impacts in the supply chain and actions taken.	137
GRI 415 Public policy 2016	415-1 Political contributions.	At Axtel we do not grant this type of contributions.
	417-3 Incidents of non-compliance concerning marketing communications.	91

SASB index

	SASB INDICATOR	CONTENT	PAGE OR RESPONSE
Environmental Footprint of Hardware Infrastructure	TC-SI-130a.1 TC-TL-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable.	128
	TC-SI-130a.2	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress.	135 Partially reported.
	TC-SI-130a.3	Discussion of the integration of environmental considerations into strategic planning for data center needs.	Not reported.
Data Privacy & Freedom of Expression	TC-SI-220a.1 TC-TL-220a.1	Description of policies and practices relating to behavioral advertising and user privacy.	100
	TC-SI-220a.2 TC-TL-220a.2	Number of users whose information is used for secondary purposes.	100
	TC-SI-220a.3 TC-TL-220a.3	Total amount of monetary losses as a result of legal proceedings associated with user privacy.	100
	TC-SI-220a.4 TC-TL-220a.4	(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure.	During 2023 we did not register any requests of this type.
	TC-SI-220a.5	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring.	None of Axtel's products or services are subject to monitoring, blocking, filtering or censorship.
Data Security	TC-SI-230a.1 TC-TL-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected.	100
	TC-SI-230a.2 TC-TL-230a.2	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards.	97
Recruiting & Managing a Global, Diverse & Skilled Workforce	TC-SI-330a.1	Percentage of employees that are (1) foreign nationals and (2) located offshore.	104
	TC-SI-330a.2	Employee engagement as a percentage.	124
	TC-SI-330a.3	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees.	104
Product End-of-Life Management	TC-TL-440a.1	(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled.	136 Partially reported.

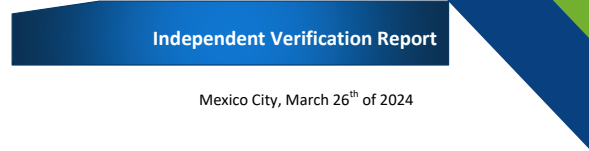
SASB index

SASB INDICATOR	CONTENT	PAGE OR RESPONSE	
Competitive Behavior & Open Internet	TC-SI-520a.1 TC-TL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations.	91
	TC-TL-520a.2	Average actual sustained download speed of (1) owned and commercially-associated content and (2) non-associated content.	At Axtel we guarantee symmetrical upload and download speed, which depends on the bandwidth contracted by the client.
	TC-TL-520a.3	Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices.	82
Managing Systemic Risks from Technology Disruptions	TC-SI-550a.1	Number of (1) performance issues and (2) service disruptions; (3) total customer downtime.	82
	TC-SI-550a.2	Description of business continuity risks related to disruptions of operations.	82
	TC-TL-550a.1	(1) System average interruption frequency and (2) customer average interruption duration.	82
	TC-TL-550a.2	Discussion of systems to provide unimpeded service during service interruptions.	82
Activity Metrics	TC-SI-000.A	(1) Number of licenses or subscriptions, (2) percentage cloudbased.	(1) 150 subscriptions AWS and Azure. (2) 100%.
	TC-SI-000.B	(1) Data processing capacity, (2) percentage outsourced.	1,256 racks, 57% outsourced.
	TC-SI-000.C	(1) Amount of data storage, (2) percentage outsourced.	1.12 Petabytes, 88.29% outsourced.
	TC-TL-000.A	Number of wireless subscribers.	Does not apply.
	TC-TL-000.B	Number of wireline subscribers.	Does not apply.
	TC-TL-000.C	Number of broadband subscribers.	Does not apply.
	TC-TL-000.D	Network traffic.	1,635.03 Gigabits per second (peak hour data).

TCFD index

TCFD	CONTENT	PAGE OR RESPONSE
TCFD - Governance	a) Describe the board's oversight of climate-related risks and opportunities.	33, 62
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	15, 33, 62 Partially reported.
TCFD - Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	35
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	35
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	35 Partially reported.
TCFD - Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks.	33
	b) Describe the organization's processes for managing climate-related risks.	33
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	33
TCFD - Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Not reported.
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	131
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Not reported.

Verification letter



Mexico City, March 26th of 2024

We communicate to all stakeholders regarding the independent verification of Axtel's Integrated Annual Report 2023, the following:

RYM *Servicios Ambientales Internacionales S.C.*, hereinafter *e3 Consultora Ambiental*, has concluded the independent review of the sustainable performance contents of Axtel, S.A.B de C.V., hereinafter *Axtel*, corresponding to the **2023** period.

1. Summary of activities

e3 Consultora Ambiental carried out the review of the indicators corresponding to the structure of the report, organizational and reporting details, governance, economic, environmental and social impacts, included in Axtel's Integrated Annual Report 2023.

To validate the quality of the indicators presented in Axtel's Integrated Annual Report 2023, access was requested to the consolidated records of the information presented in the report itself, according to the material topics that were selected by the company in its report, which were representative for the sample of an independent review. The information was provided by a single compiler of the information, which was delivered by the different departments involved in the integration of the report.

Based on the material issues identified by the company and, in accordance with the independent review of the indicators, the content coverage of the *Global Reporting Initiative (GRI)* was verified for a report aligned with: *'In accordance with GRI standards'* option established by the initiative.

2. Methodologies

This verification report was prepared based on **GRI standards**, using *GRI 1: Fundamentals 2021* as the base standard for the application of reporting principles, in relation to the definition of the content and quality of the report, as well as the coverage of material issues and the presentation of the **GRI content index**. The independent verification was also carried out based on the recommendations of the **ISAE 3000 general standard** and the **AA1000AS sustainability assurance standard**.

In addition, different **GRI thematic standards** were used for the sample of material issues selected for review, as shown in the following table of indicators.



COTIZACIÓN DE SERVICIOS
 e3 Consultora Ambiental | Ciudad de México
 Tel: (55) 2701 7699 | www.e3consultora.com.mx
 E-mail: contact@e3consultora.com.mx

3. Sample of verified indicators

Standard	Verified Standard
Universal	GRI 1, GRI 2
[200] Economic	205
[300] Environmental	302, 303, 305, 306
[400] Social	401, 403, 404

4. Conclusions

- a) The definition and information of the contents of the Axtel's Integrated Annual Report 2023 was based on the principles of reporting according to the **GRI Standards**; it was not evident that such definition was contrary to the principles of accuracy, balance, clarity, comparability, completeness, context of sustainability, timeliness and verifiability.
- b) No situations were identified that lead to the conclusion that there are material errors or omissions in the information disclosed in Axtel's Integrated Annual Report 2023, based on a review of the evidence supporting the figures of a sample of indicators in the report.
- c) There is no evidence to contradict that Axtel's Integrated Annual Report 2023 has been prepared in accordance with the **GRI Standards**.
- d) The findings and recommendations are delivered separately in an internal report to **Axtel**.

Sincerely,

M.C. David Alejandro Parra Romero
 Chief Operating Officer *e3 Consultora Ambiental*

NOTE: This work corresponds to a limited verification exercise, carried out on behalf of Axtel and concluded in March 2024. In no way can it be understood as an audit of the figures presented in the report or of the internal control mechanisms for the generation, analysis, calculation and collection of Axtel's non-financial information. *e3 Consultora Ambiental* is a firm independent from the reporting company. The verification team did not participate to any extent in the preparation of Axtel's Integrated Annual Report 2023.

axtel

<https://www.axtelcorp.mx/>

