AXTEL, S.A.B. DE C.V.
Av. Munich 175
Col. Cuauhtémoc, San Nicolás de los Garza, N.L.
C.P. 66450
+52 (81) 8114-0000

axtelcorp.mx

Ticker: "AXTELCPO"

ANNUAL REPORT

presented in accordance to the general provisions that apply to the Issuers of securities and to other participants of the securities market for the year ended on December 31, 2023

Characteristics of the Securities: The securities that are traded in the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.) ("BMV") are "Ordinary Participation Certificates" ("CPO's"), which are non-amortizable securities, issued under the CPO's Trust (which term is defined below), each of which represents 7 Series "B", Class "I" Shares of the capital stock of Axtel, S.A.B. de C.V. ("Axtel" or the "Company"). As of the date of this Annual Report, the capital stock of the Company is Ps. 454'619,850.35 represented by 19,824,191,117 registered common shares, Class "I" Series "B", with no par value, all of which are fully subscribed and paid. The capital stock of Axtel does not have shares issued or subscribed in its variable part.

Registration at the National Registry of Securities ("RNV") does not imply a certification regarding the quality of the registered securities nor Axtel's solvency or accuracy or reliability of the information contained in the Annual Report nor validates the acts, if any, that might have been made in contravention of the law.

For any questions with regards to this Annual Report, please contact Mr. Adrian de los Santos at the phone number (81) 8114-1128 or via e-mail to ir@axtel.com.mx.

This Annual Report is available at Axtel's web page at *www.axtelcorp.mx* and at the BMV's web page at *www.bmv.com.mx*.

San Pedro Garza García, N.L., as of April 26, 2024.

TABLE OF CONTENTS

1. GENERAL INFORMATION

1.1) <u>Glossary of Terms and Definitions</u>

The following glossary includes the definitions of the main terms and abbreviations used in this Annual Report:

“Alestra”	Commercial name to serve the enterprise and government segment, seeking to accelerate the adoption of new generation services that contribute to the digital transformation and evolution of their businesses. Its portfolio includes connectivity services, value-added solutions such as managed networks and systems integration, and information technology (IT) such as cloud services, collaboration and cybersecurity, among others. Alestra, S. de R.L. de C.V., which was merged into the Issuer on May 1, 2017. Prior to the Alestra Merger, Alestra was the IT and telecommunications business unit of Alfa.
“ALFA”	Alfa, S.A.B. de C.V.
“ALTAN”	ALTAN Redes, S.A.P.I. de C.V., winner consortium on November 17, 2016 of the international contest promoted by Mexico’s Ministry of Communications and Transport (SCT) for the construction and operation of a nationwide 4G wholesaler network. On January 17, 2017, the SCT through the Investments in Telecommunications Promoting Organism (PROMTEL) and the Federal Telecommunications Institute (IFT), granted ALTAN a concession title for commercial use of a wholesaler network with expiration date of 20 years.
“America Móvil”	América Móvil, S.A.B. de C.V. including subsidiary and affiliate companies.
“AT&T”	AT&T Corporation, including subsidiary and affiliate companies.
“Audited Financial Statements”	The audited consolidated financial statements of the Company as of and for the fiscal years ended on December 31, 2023 and 2022 and as of and for the years ended on December 31, 2022 and 2021.
“Avantel”	Both Avantel, S. de R.L. de C.V. and Alestra Innovación Digital, S. de R.L. de C.V.
“Avantel Infraestructura”, “Alestra Innovación Digital”	Avantel Infraestructura, S. de R.L. de C.V., which changed its name to Alestra Comunicación, S. de R.L. de C.V.; and afterwards to Alestra Innovación Digital, S. de R.L. de C.V.
“Axtel”, “Company”, “Issuer”	Means Axtel, S.A.B. de C.V., together with its subsidiaries, except when in context the term Axtel refers only to Axtel, S.A.B. de C.V.
“Axtel Networks”, “Axnet”	Commercial name to serve wholesale infrastructure customers; provides connectivity solutions through fiber optics that allow satisfying the requirements of international and national operators, data center and tower operators, Internet giants, and content and cloud providers.
“Banamex”	Banco Nacional de México, S.A. member of Grupo Financiero Banamex and its affiliates.
“Bancomext”	Banco Nacional de Comercio Exterior, S.N.C.
“BBVA Mexico” or “BBVA”	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.
“Bestel”	Bestel, S.A. de C.V., a telecommunications and IT services company, subsidiary of Televisa
“BMV” or “Stock exchange”	Bolsa Mexicana de Valores, S.A.B. de C.V. (*Mexican Stock Exchange)*.
“Cablecom”	Grupo Cable TV, S.A. de C.V.

"Cablemás"	Cablemás, S.A. de C.V.
"Cablevisión"	Empresas Cablevisión, S.A.B. de C.V.
"Central Switchboard"	Equipment that frees voice data and sets up connections to establish a call.
"Circular Letter"	Means the general provisions that apply to the Issuers of securities and to other participants of the securities market, issued by the CNBV and published in the Official Federal Gazette on Wednesday March 19, 2003, as updated from to time to time.
"CNBV"	Comisión Nacional Bancaria y de Valores. *(Mexican Banking and Securities Commission)*
"CO_2e"	CO2 equivalent (carbon dioxide), a universal measure to express in terms of CO2 the global warming level that each of the greenhouse gases has.
"Comparable EBITDA"	EBITDA excluding extraordinary items, such as the reorganization expenses incurred during 2023.
"Controladora Axtel"	Controladora Axtel, S.A.B. de C.V., a variable capital stock corporation, which, due to the Spin-off of ALFA's entire shareholding in Axtel, is the controlling entity of Axtel. As a result of the transaction, ALFA shareholders received one Controladora Axtel share for each ALFA share. The date of listing of Controladora Axtel on the BMV was May 29, 2023. The number of shares and CPOs of Axtel remained unchanged, each CPO represents seven Axtel shares.
"Covid-19"	Infectious disease caused by the most recently discovered SARS-CoV-2 virus. This new virus and disease were unknown before the outbreak began in Wuhan, China, in December 2019 (Source: World Health Organization).
"CPOs", "AXTELCPO"	Ordinary Participation Certificates, which are non-amortizable securities, issued under the CPOs Trust, each of which represents, 7 Series "B" Class "I" Shares of Axtel's capital stock.
"CPOs Trust"	It means the Irrevocable Trust Agreement No. 80471 named AXTEL CPO's, dated November 30, 2005, entered between the Company, as settlor and Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, Fiduciary Division, as trustee, the purpose of which is, among others, to establish a mechanism that allows the allocation of Shares Series B into the trust for the issuance of CPOs that are eligible for trading in the BMV.
"CPO Trustee"	Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, Fiduciary Division as trustee of the CPOs Trust.
"Data Center"	A facility composed of networked computers and storage, used to organize, process, store and disseminate large amounts of data.
"Dollars", "US $"	Current currency of the United States of America
"EBITDA"	Defined by the Company as the result of adding to the operating income (loss), the depreciation, amortization and impairment of assets.
"Ethernet"	IEEE 802.3 protocol, a network protocol that controls how data is transmitted over a LAN.
"Flo Networks"	Formerly called Transtelco, a company that provides managed voice and data services over a fiber optic network between the US and Mexico.
"GHz"	Gigahertz (Thousands of millions of cycles per second) Frequency relative to a time unit

"ICT"	Information and Communication Technologies
"IFRS"	International Financial Reporting Standards
"IFT"	Instituto Federal de Telecomunicaciones *(Federal Telecommunications Institute)*, industry regulator since September 2013.
"Indeval"	S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. Autonomous public body responsible for regulating and coordinating the National Statistical and Geographic Information System of Mexico, as well as for capturing and disseminating information regarding the territory, resources, population and economy of the country.
"INEGI"	Instituto Nacional de Estadística y Geografía *(National Institute of Statistics and Geography of Mexico)*
"IP"	Internet Protocol
"IT"	Information Technologies
"KIO"	The following companies, together or individually: Hiku Document Services, S.A.P.I. de C.V., Masnegocio.com, S.A.P.I. de C.V., Operadora Metronet S. de R.L. De C.V., Metro Net Hosting, S. de R.L. De C.V., Sixsigma Networks México S.A. de C.V., Fundación Kio, A.C., Sm4rt Security Services, S.A. de C.V. and Wingu Networks, S.A. de C.V.
"LAN"	Local Access Network
"LFTR"	Ley Federal de Telecomunicaciones y Radiofusión *(Federal Telecommunications and Broadcasting Law)* published in the Official National Gazette on July 14, 2014 and effective since August 13, 2014
"Libor"	London Interbank Offerred Rate.
"LMV"	Ley del Mercado de Valores *(Mexican Securities Market Law)* published in the Official National Gazette on December 30, 2005, as amended from to time to time.
"Mass Market Segment"	Business segment consisting of residential customers and micro / small businesses, to which Axtel provided voice, data and video services (pay television) through its fiber network (FTTx) or wireless network. On December 17, 2018, Axtel sold most of this segment to Televisa and on May 11, 2019, Axtel sold the rest to Megacable.
"Megacable"	Megacable Holdings, S.A.B. de C.V. including subsidiary and affiliate companies.
"Merger between Alestra and Axtel"	Means the merger between Axtel and Onexa that became effective on February 15, 2016, as of which date Alfa became the majority owner of Axtel and Alestra became a wholly owned subsidiary of Axtel.
"México"	United Mexican States.
"MHz"	Megahertz. Frequency in millions of cycles per Second. In radio, it refers to the number of oscillations of electromagnetic radiation per second.
"NAVE"	Axtel's corporate incubator focused on identifying and developing start-ups and scale-ups.

"Onexa"	Onexa, S.A. de C.V., the parent company of Alestra, which merged into Axtel, S.A.B. de C.V. on February 15, 2016. Prior to the Merger between Alestra and Axtel, Onexa was a wholly owned subsidiary of Alfa.
"pesos", "M.N.", "$", or "Ps."	Current legal currency in Mexico
"POPs"	Point of Presence, strategic point (physical place) where services are concentrated, it may have electronics and/or interconnections with other facilities or operators.
"Preponderant Economic Agent, (*AEP*)"	On March 6, 2014, the Plenary Session of the Federal Telecommunications Institute determined as a preponderant economic agent in the telecommunications sector the companies América Móvil S.A.B. de C.V.; Teléfonos de México, S.A.B. de C.V. (Telmex); Teléfonos del Noroeste, S.A. de C.V. (Telnor); Radiomóvil Dipsa, S.A.B. de C.V.; (Telcel), Grupo Carso, S.A.B. de C.V.; y Grupo Financiero Inbursa, S.A.B.
"SDWAN"	Software-Defined Wide Area Network. The application of software-based network technologies that virtualize WAN connections.
Senior Notes 2024	Axtel notes with a coupon of 6.375% maturing in 2024, fully redeemed as of the date of this Annual Report.
"Series "A" shares"	Ordinary shares of the Series "A", Class "I", nominative, without par value, representing the fixed portion of the Company's capital stock. At the Extraordinary General Shareholders' Meeting on June 21, 2016, the consolidation of all shares representing the Company's capital stock in a single Series was approved, through the conversion of Series "A" shares into Series "B" shares.
"Series B shares"	Ordinary shares of the Series "B", Class "I", nominative, without par value, representing the fixed portion of the Company's capital stock.
"Shares"	Ordinary shares, nominative, without par value, representative of the capital stock of the Company
"SOFR"	Is a secured overnight interest rate administered by the Federal Reserve Bank of New York.
"Softtek"	Valores Corporativos Softtek, S.A. de C.V.
Spin-off	By means of an Extraordinary General Shareholders' Meeting of ALFA dated on July 12, 2022, the partial spin-off of ALFA took place; which, without extinguishing, transfers in block certain assets and capital to the spun-off company, Controladora Axtel; including the entire share ownership of ALFA to the capital stock of Axtel.
"Telcel"	Radiomóvil Dipsa, S.A. de C.V. and/or affiliated companies that all together are subsidiaries of América Móvil, S.A.B. de C.V.
"Telefónica Movistar", "Grupo Telefónica"	The following companies, together o individually: Pegaso PCS, S.A. de C.V., Baja Celular Mexicana, S.A. de C.V., Pegaso Comunicaciones y Sistemas, S.A. de C.V., Celular de Telefonía, S.A. de C.V., Telefonía Celular del Norte, S.A. de C.V., Movitel del Noroeste, S.A. de C.V. and Grupo de Telecomunicaciones Mexicanas, S.A de C.V.
"Televisa"	Grupo Televisa S.A.B., including subsidiary and affiliate companies.
"Telmex"	Teléfonos de México, S.A.B. de C.V., including subsidiary and affiliate companies that are considered subsidiaries of America Móvil
"Telnor"	Teléfonos del Noroeste, S.A. de C.V.

“TIIE”	Interest rate applicable to credit operations in Mexico. (Tasa de Interés Interbancaria de Equilibrio).
“RGUs”	Revenue Generating Units
“VPN”	Virtual Private Network

1.2) <u>Executive Summary</u>

This summary is not intended to contain all the information that may be relevant to make investment decisions on the securities mentioned herein. Therefore, investors should read the entire Annual Report, including financial information and relative notes, before making an investment decision. The following summary is prepared in accordance with and is subject to, the detailed information and financial statements contained in this Annual Report. It is recommended to pay special attention to the "Risk Factors" section of this Annual Report to determine the desirability of making an investment in the securities issued by the Issuer.

Axtel is a Mexican company that offers integrated Information and Communication Technology (ICT) solutions to support its clients in the process of evolution towards the digital transformation of their businesses and in the creation of communication networks, through the brands Alestra and Axtel Networks or Axnet.

Axtel Networks or Axnet, which participates in the market as a neutral operator, provides connectivity solutions through fiber optics to wholesale customers, including national and international, fixed and wireless operators, data center and tower operators and internet giants. Axnet's service portfolio includes connectivity services such as fiber to the tower, fiber to the data center, spectrum and IP transit, among others.

On the other hand, Alestra serves as a technological partner of more than 11,000 business clients. Its client base includes small, medium and large companies, corporations, financial institutions and government entities, seeking to accelerate the adoption of new generation services that contribute to the digital transformation and evolution of their businesses. Its portfolio includes Telecommunications (Telecom) services, such as connectivity, managed networks and collaboration, as well as Information Technology (IT) solutions, such as systems integration and cloud services, as well as cybersecurity and mobility solutions, among others.

Axtel considers it has the second largest fiber network in Mexico, with an infrastructure of approximately 50,800 kilometers, 23,800 kilometers of national transportation network (including 13,400 kilometers of long-term capacity agreements) and 27,000 kilometers of metropolitan rings, which provide Ethernet access to 76 cities.

Axtel's vision is to be the best alternative in the digital experience through innovation to create value and its mission is to enable organizations to increase their productivity through digitization. The Company's strategic objective is to be the main enabler of digital transformation in Mexico and to be the world-class leading neutral operator of fiber optic networks in Mexico.

The Company was incorporated under the corporate name of Telefonía Inalámbrica del Norte, S.A. de C.V., by means of public deed number 3,680, on July 22, 1994. In 1999, the Company changed its corporate name to Axtel, S.A. de C.V. Derived of certain amendments in the LMV, on December 4, 2006, the Company transformed into Axtel, Sociedad Anónima Bursátil de Capital Variable or S.A.B. de C.V. in compliance with the requirements and timeline of the LMV.

Since December 2005, Axtel's CPOs are traded in the BMV, so the Company periodically publishes its corporate, operating and financial information, which can be accessed in the web page of the BMV at *www.bmv.com.mx*. Likewise, the same information can be accessed in Axtel's web pages at *axtelcorp.mx, alestra.mx*, and axtelnetworks.mx including information regarding its products and services.

On October 1, 2015, the Company, ALFA, Onexa and Alestra signed an agreement of understanding to merge the operations of Axtel and Alestra, creating a stronger competitor in the telecommunications market in Mexico. On December 3, 2015, ALFA, Onexa, Alestra and Axtel signed the definitive agreements, subject to the corresponding corporate and regulatory approvals, to carry out the merger of Axtel and Onexa. On January 15, 2016, Axtel and Onexa held Extraordinary Shareholders' Meetings where the merger was approved and the members of the Board of Directors, the CEO and the Audit and Corporate Practices Committee were appointed. After completing the legal, operational and financial review process and obtaining authorizations from the authorities, the transaction became effective on February 15, 2016, date on which ALFA became the majority shareholder of Axtel, receiving 9,668,965,488 Series B Class I shares, extinguishing the merged company and surviving only the merging entity under its current corporate name Axtel, S.A.B. de C.V. ("the merger" or "the merger between Axtel and Alestra"). Consequently, Alestra became 100% subsidiary of Axtel.

In accordance with the resolutions adopted by the Extraordinary Shareholders' Meeting held on January 15, 2016 aforementioned, on July 18, 2017 Axtel announced the additional delivery of 1,019'287,950 Series "B" Class "I" shares to ALFA, titles held in the treasury department as a result of applying an average exchange rate formula between the Mexican Peso and US Dollar, considering an eighteen-month period as of January 15, 2016

After finalizing the sale of most of the mass market fiber business in late 2018, Axtel completed the divestment of this business in its entirety in 2019. In addition, in 2019, Equinix Inc., world leader in data centers, acquired the operations and assets of three Axtel data centers.

On July 12, 2022, ALFA shareholders approved through an extraordinary general meeting the spin-off of their entire share ownership in Axtel to a new entity called Controladora Axtel. On May 29, 2023, Controladora Axtel began trading on the Mexican Stock Exchange. ALFA shareholders received one share of Controladora Axtel for each of their ALFA shares, in addition to retaining their participation in ALFA's capital stock. Therefore, as of this date, the Company is a subsidiary of Controladora Axtel, with retroactive effect to July 12, 2022.

With respect to the twelve-month period ended December 31, 2023, Axtel generated revenues of Ps. $10,956 million and registered an operating income and EBITDA of Ps. $576 million and Ps. $3,430 million, respectively. Axtel registered an income before taxes of Ps. $253 million and a net income of Ps. $314 million. At the end of 2023, the Company had cash for Ps. $1,207 million and total debt (including accrued interest) of Ps. $10,631 million.

During 2022, Axtel generated revenues of Ps. $10,480 million and registered an operating income and EBITDA of Ps. $174 million and Ps. $3,011 million, respectively. Axtel registered a loss before taxes of Ps. $87 million and a net loss of Ps. 39 million. At the end of 2022, the Company had cash for Ps. $1,543 million and total debt (including accrued interest) of Ps. $11,881 million.

Finally, during 2021, Axtel's revenues reached Ps. $11,389 million and recorded an operating income and EBITDA of Ps. $292 million and Ps. $3,793 million, respectively. Axtel recorded a loss before taxes of Ps. $1,149 million and a net loss of Ps. $797 million. At the end of 2021, cash totaled Ps. $1,614 million and total debt (including accrued interest) reached Ps. $13,344 million.

The following tables contain a summary of the consolidated financial information as of December 31, 2023, 2022 and 2021 and for the years ending on those dates, derived from the information contained in the Audited Financial Statements attached to this Annual Report.

(in million pesos)	**Years ended December 31,**		
	2023	**2022**	**2021**
Income Statement			
Revenues	10,955.9	10,479.6	11,389.5
Operating costs and expenses (1)	(10,380.1)	(10,305.7)	(11,097.2)
Operating Income	575.8	173.9	292.2
Interest expense, net	(977.9)	(772.2)	(1,163,8)
Exchange gain (loss), net	655.4	511.3	(277.6)
Profit (Loss) before taxes	253.3	(87.0)	(1,149.1)
Income Taxes	61.0	48.2	352.4
Net Profit (loss)	314.3	(38.8)	(796.7)
(Loss) Profit per share:			
Profit (loss) per basic share: Basic and diluted	0.016	(0.002)	(0.040)
Weighted average of common outstanding shares (in millions):	19,809.6	19,824.2	19,829.5

Dividends decreed per share	—	—	—
Other Financial information:			
Depreciation, amortization and impairment of long-life assets	2,466.6	2,837.1	3,500.3
EBITDA (2)	3,429.9	3,011.0	3,792.5
EBITDA as percentage of revenues	31.3%	28.7%	33.3%

(1) Cost of sale and services, plus administrative and selling expenses, plus depreciation and amortization, plus other operating income (expenses).

(2) For the purposes of the Company, it has been defined as the result of adding to the operating (loss) income, the depreciation and amortization and impairment of assets. Not audited.

(in million pesos)	**Years ended December 31,**		
	2023	**2022**	**2021**
Statement of Cash Flows:			
Net Cash Flow from:			
Operating Activities	2,809.9	3207.9	3,291.6
Investing Activities..........................	(1,310.8)	(1,207.3)	(1,268.3)
Financing Activities.........................	(1,731.0)	(2,040.3)	(3,601.6)
(Net decrease) Net increases in cash or cash equivalents	(231.9)	(39.7)	(1,578.4)

(in million pesos)	**Years ended December 31,**		
	2023	**2022**	**2021**
Balance Sheet:			
Cash and equivalents.........................	1,207.2	1,542.8	1,613.7
Net working capital (3)........................	655.6	183.1	236.0
Total assets..	16,709.2	18,351.4	19,974.5
Total debt	10,630.5	11,881.1	12,827.4
Total liabilities	13,592.3	15,501.0	17,104.6
Total stockholder's equity	3,116.8	2,850.4	2,869.9
Net assets (4)	11,361.9	9,227.2	10,369.0
Capital common stock	454.6	454.6	464.4
Weighted average of outstanding shares (in millions)	19,809.6	19,824.2	19,829.5

(3) Net Working Capital is calculated by subtracting cash and equivalents, accounts payable, payable taxes and other accounts payable from current assets.

(4) Net assets is calculated by adding net working capital to property, plant and equipment.

Regarding the performance of the CPO, as of December 31, 2023, 2022 and 2021, the Company's share (AXTELCPO) closed at Ps. $0.67, Ps. $1.36 and Ps. $3.87, respectively. See details throughout the years in Section *5.2) Stock Performance in the Stock Market*.

At the date of this Annual Report, the Company has a total of 19,824,191,117 ordinary, nominative, without par value Series "B" Class "I" shares, fully subscribed and paid; being Controladora Axtel entitled with 53.9% of the capital stock. At present, Axtel's capital stock does not have issued or subscribed shares in its variable part. As of March 31, 2024, 28,938,371 shares are in Axtel's treasury, derived from the share repurchase program. Axtel requested the update of the registration of its shares in the National Securities Registry derived from the agreements of the Extraordinary General Assembly dated March 8, 2024, which approved the cancellation of 45,000 unsubscribed and unpaid shares, which were deposited in Axtel's treasury to support the conversions of the convertible obligations, whose holders did not exercise the respective conversion right.

The Company's headquarters are located in Munich 175, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo León, México, C.P. 66450. Its telephone number is (+52) (81) 8114-0000 and its web page is *axtelcorp.mx*.

1.3) <u>Recent Relevant Events</u>

<u>2024</u>

***Share Repurchase Program* – Annual General Ordinary Shareholders' Meeting on March 8, 2024**

At the Ordinary General Shareholders' Meeting held on March 8, 2024, shareholders approved, among other issues, the maximum amount of resources that may be allocated to the purchase of own shares; for 2024, is Ps. $100 million.

Share Cancellation – Extraordinary General Shareholders' Meeting on March 8, 2024

At the Extraordinary General Shareholders' Meeting held on March 8, 2024, shareholders approved the cancellation of 45,000 Class "I" Series "B" shares, not subscribed or paid, which were deposited in the Company's treasury for the conversions of convertible notes, whose holders did not exercise the respective right of conversion, and such notes having been fully redeemed.

Thus, the fixed capital of the Company was reduced in the total amount of Ps. $1,031.96; equal to the theoretical value of the canceled shares, therefore the fixed capital reached Ps. $454,619,850.35.

***Reform Second Clause of the Bylaws* – Extraordinary General Shareholders' Meeting on March 8, 2024**

In accordance with the resolutions adopted at the Extraordinary General Shareholders' Meeting held on March 8, 2024, shareholders approved the modification of the text of Clauses 6, 8, 20, 30, 32, 33, 34 and 36 of the corporate bylaws, to reflect various reforms enacted to the General Law of Commercial Companies (*Ley General de Sociedades Mercantiles)*, as well as to the Securities Market Law (*Ley del Mercado de Valores*):

- Shareholders meetings, sessions of administrative bodies and auxiliary bodies of the board, to be held in person or through the use of electronic means;
- Publication of shareholders meetings through a notice in the electronic system established by the Ministry of Economy;
- Legal books, to be signed by handwriting or electronic signature;
- Elimination of the limit or percentage in the issuance of shares other than ordinary shares.
- In capital increases, update the registration in the National Securities Registry, after the placement of shares;
- Possibility for the Shareholders Meeting to delegate to the Board of Directors the power to increase the share capital and modify the rules relating to the subscription of corresponding shares, even excluding the right of preference.

<u>2023</u>

Bancomext Credit

On January 5, 2023, Axtel signed an agreement to refinance its long-term facility with Bancomext for Ps. $3,026 million, an interest rate of TIIE + 2.1% maturing in 2028 and an average life of 8 years.

Debt

On January 26, 2023, the Company signed a credit agreement with Export Development Canada (EDC) for an amount of US$100 million, of which US$40 million were drawn down on February 13, 2023, with maturities from January 2027 to January 2028 and a variable interest rate of 1 month SOFR + 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 Ps. $200 million of its revolving committed line with BBVA México, maturing in July 2024 and a variable interest rate of TIIE + 1.75%. This credit was prepaid on April 26, 2023.
The resources from these loans were used to repurchase the 2024 Senior Notes.

On May 25, 2023, the Company drew down Ps. $180 million of its line committed to Export Development Canada, maturing in June 25, 2024, and a variable interest rate of TIIE + 1.75%.

On April 27, 2023, the Company signed a syndicated loan for US$210 million and Ps. $971.5 million to refinance all 2024 Senior Notes. The redemption of the Notes became effective on July 21, 2023. The new loan has quarterly principal payments beginning in July 2025 and until maturity in April 2028. It has a variable interest rate for the peso portion of TIIE + 3.25%, and for the dollar portion of SOFR + 3.25%.

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

Purchase of Senior Notes

On January 17, 2023, Axtel announced that it had initiated an offering to purchase up to US$75 million principal of its Senior Notes due 2024. On January 31, 2023, Axtel announced the results of the early tender deadline, whereby Notes tendered by holders and accepted by the Company was US$77.7 million. In addition, the Company increased the tender cap from US$75 million to US$120 million and extended the early tender deadline to February 13, 2023, the expiration date of the offer. As of February 13, 2023, the 2024 Senior Notes tendered and accepted for purchase were US$88.6 million, leaving an outstanding balance of US$313.6 million, which were fully redeemed during the year.

Derived from this operation, the Company immediately recognized in the consolidated statement of income, the corresponding debt issuance costs, related to the 2024 Senior Notes that were pending amortization on said date for Ps. $8.7 million.

Share Repurchase Program – Annual General Ordinary Shareholders’ Meeting on March 7, 2023

At the Ordinary General Shareholders' Meeting held on March 7, 2023, shareholders approved, among other issues, the maximum amount of resources to be allocated for own shares repurchasing during fiscal year 2023 is Ps. 100 million. Said amount remains 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, and the balance of the reserve for share repurchase is Ps. $96 million.

Merger of subsidiaries – Extraordinary General Shareholders’ Meeting on March 7, 2023

At the General Extraordinary Shareholders´ Meeting held on March 7, 2023, the merger by incorporation of the subsidiaries *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., into Axtel, S.A.B. de C.V. (“Axtel”) 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.

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

On May 19, 2023, the Company announced that 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 Mexican Stock Exchange on May 29, 2023, the date from which the Company is a subsidiary of Controladora Axtel. 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.

Prepayment of Senior Notes

On June 16, 2023, Axtel announced 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 a development bank, as well as a bank loan with nine financial institutions for a 5-year term. The Company extended the average life of its debt approximately from 3 to 5 years.

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 environmental and social commitments. 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

Share Repurchase Program – Axtel's Annual General Ordinary Shareholders' Meeting on March 7, 2022

At the General Ordinary Shareholders' Meeting held on March 7, 2022, it was approved that the maximum amount of resources to be used for the repurchase program during fiscal year 2022 would be Ps. 200 million.

Cancellation of Shares – Axtel's Extraordinary Shareholders' Meeting on March 7, 2022

At the Extraordinary Shareholders' Meeting celebrated on the 7th of March, 2022, it was approved the cancelation of 424,991,364 ordinary shares, nominative, without expression of nominal value, of Class "I", Series "B" representative of the Axtel's capital stock, equivalent to 60,713,052 AXTELCPOs, held in the Company's treasury from the share buyback program. As a consequence of such cancellation, it was resolved to carry out the reduction in the fixed part of the Company´s capital stock by the total amount of Ps. 9,747,045.18; amount equal to the theorical value of the canceled shares, remaining such capital stock fixed part at $454,620,882.31.

Reform Second Clause of the Bylaws – Axtel's Extraordinary Shareholders' Meeting on March 7, 2022

In accordance with the resolutions adopted in the Extraordinary Shareholders' Meeting held on March 7, 2022, it was approved to amend the Second Clause text of Axtel´s bylaws, relative to the corporate purpose, to adjust it to the labor legislative reforms, by which sections a) and b) are adjusted, the text from those subsections remaining as indicated below:

"SECOND. – The corporate purpose of the Company will be the following: a) Operate and exploit a public telecommunications network, the provision of telecommunications services through wired or wireless technologies, as well as using, take advantage of, exploit spectrum frequency bands, infrastructure rights of use, dark fiber lease, integration and management of connectivity solutions, cybersecurity, internet of things, managed information and collaboration technologies, integration of turnkey projects and integration and management of data center solutions as well as the administration of telecommunications infrastructure projects and turnkey projects. b). – Commercialization, distribution, export and sale of all kinds of telecommunications, computer and electronic equipment and the acquisition and/or operation of telecommunications equipment and installations, national and international and of any type of technology…"

Appointment of new CEO

The Company announced that Armando de la Peña González was appointed as CEO effective May 1, 2022. On April 26th, 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 responsibilities as Alfa's CFO.

Spin-off of ALFA's share ownership in Axtel and creation of Controladora Axtel

On July 12, 2022, ALFA's Shareholders' Meeting approved the spin-off of its entire share ownership in Axtel, through which a variable capital stock corporation was incorporated as a spun-off company ("Controladora Axtel"), from which its shares were registered in the RNV and listed on the Stock Exchange for trading in Mexico once the corresponding authorizations were obtained from the CNBV and BMV.

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

The Company has a share ownership equivalent to 0.42% of Altán's capital stock as of December 31, 2022. Likewise, Axtel is Altán's provider of telecommunications and IT services.

On November 12, 2021, Altán was declared in *Concurso Mercantil* and as of the day the verdict was published in the Official Gazette of the Federation, Altán had an initial conciliation period of 185 calendar days that could be extended for two more periods of 90 calendar days.

In November 2022, Altán announced that the *Juzgado Primero de Distrito en Materia de Concursos Mercantiles* agreed on October 28, 2022 to approve the bankruptcy agreement as an enforceable sentence, thus concluding its *Concurso Mercantil* process.

Derived from the above, the Administration recognized an impairment for the value of its investment for Ps. 22 million and Ps. 290 million in 2022 and 2021, respectively. As of December 31, 2023 and 2022, the balance of the net account receivable from Altán amounts to Ps. $26 million and Ps. 31 million, respectively, without value added tax.

Repurchase of 2024 Senior Notes

The Company made repurchases of its 2024 Senior Notes, for a total of Ps. 754 million (US$37.8 million) of the aggregate principal amount. As of December 31, 2022, the balance of the 2024 Senior Notes is Ps. $7,788 million (US$402.2 million). Derived from this operation, the Company immediately recognized in the consolidated income statement, Ps. $4.5 million of debt issuance costs that were pending amortization at such date.

<u>2021</u>

COVID-19 impacts

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

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

During the year ended on the 31st of December 2021, the impacts directly attributable to COVID-19 were negative. Revenues in 2021 decreased when compared to 2020 by Ps. 55 million mainly due to the negative effects of the global semiconductor shortage and logistic delays, which translates into the cancelation of time-sensitive projects and a general delay in the implementation of projects.

As of the date of the present Annual Report, the Company continues monitoring the development of its business, complying with government regulations and responding promptly to arising changes.

Succession in General Management

On January 22, 2021, Rolando Zubirán Shetler, CEO of the Company reported the beginning of the succession process of the General Management, having decided to take his retirement benefits and retire. Axtel's board appointed Eduardo Escalante Castillo as Acting CEO as of this date and during the selection process of the new Axtel’s CEO.

Prepayment of 2024 Senior Notes

On March 3, 2021, the Company prepaid $1,197,210 (US$60 million) of the principal of the Senior Notes 2024 to strengthen its financial structure and reduce financial expenses.

After the prepayment, the remaining principal on the Notes is US$440 million. The partial prepayment was made with cash funds obtained from the data center transaction in 2020.

Share Repurchase Program - Axtel’s Ordinary General Shareholders’ Meeting of March 5, 2021

At the Ordinary General Shareholders’ Meeting held on March 5, 2021, shareholders of Axtel approved, among other issues, that the maximum amount of resources to be used for the stock buyback during 2021 was Ps. 200 million.

Loan 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 revolving loan for up to US$50 million, or its equivalent is pesos, extending the maturity from June 2021 to June 2024. As of December 31, 2021, US$27 million and Ps. 50 million were the drawn amount from such credit. For the part in pesos, interest is payable at a monthly rate of TIIE 28D + 1.75%, while for the part in dollars, it is payable at a monthly rate of Libor 1M + 2.00%.

Debt Prepayment

On September 27, 2021, the Company prepaid Ps. 400 million (US$20 million) of the principal amount of the credit in dollars maintained with Export Development Canada maturing in 2024 and with an interest rate of Libor 1M + 2.00%. After the prepayment, the principal amount of the dollars debt portion is US$27 million. Derived from this prepayment, the Company immediately recognized in the consolidated income statement, Ps. 0.5 million from the costs related to obtaining such debt and that were pending amortization.

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

The company has a stock ownership equivalent to 1.96% of Altán´s capital stock as of December 31, 2021. Moreover, Axtel is Altán's telecommunications and IT service provider.

On November 12, 2021, Altán was declared in *concurso mercantil* and from the day of the publication of the resolution in the “Diario Oficial de la Federación” Altán has an initial conciliation period of 185 calendar days that can be extended for two more periods of 90 calendar days.

As a result of the foregoing, Management recognized a deterioration of the value of its investment for Ps. $290 million. As of December 31, 2021, the balance of the accounts receivable from Altán amounts to Ps. $304 million, without value added tax. Additionally, the Company has a document receivable from Altán for Ps. $20 million.

1.4) Risk Factors

The investing public should carefully consider the risk factors described below before making any investment decisions. The risks and uncertainties described below are not the only risks faced by the Company. The risks and uncertainties that the Company does not know, as well as those that the Company considers at present as minor, could also affect its operations and activities.

The performance of any of the risks described below could have a material adverse effect on the Company's operations, financial condition or results of operations.

The risks described below are intended to highlight those that are specific to the Company, but which in no way should be considered as the only risks that the investing public may face. These additional risks and uncertainties, including those that generally affect the industry in which the Company operates, the geographical areas in which it has presence or those risks that not considered important, may also affect its business and investment value.

Information other than historical information included in this Annual Report reflects the operational and financial perspective in relation to future events and may contain information on financial results, economic situations, trends and uncertain facts. The expressions "believe," "expect," "estimate," "consider," "forecast," "plan," and other similar expressions identify such estimates. In evaluating such estimates, the potential investor should consider the factors described in this section and other warnings contained in this Annual Report. Risk Factors describe non-financial circumstances that could cause actual results to differ materially from those expected based on forward-looking statements.

1.4.1) Risks Related to the Company

Axtel operates in a highly competitive environment, it competes with companies that have greater financial resources and experience significant pressure on rates, all of which may negatively affect its operating margins and results of operations.

The telecommunications industry in Mexico is competitive. With the convergence of services, competition has intensified and Axtel competes with established telecom companies such as Telmex, Televisa, Telecom, Megacable, Totalplay, Flo Networks , among others and Information Technology ("IT") providers such as KIO, IBM, Scitum, Triara, Softtek, among others.

Axtel has experienced and expects to continue experiencing pricing pressures, primarily as a result of:

- More competitive market in the "new normal";
- focus of competitors on growing their market share;
- deployment of significant capital resources that result in rate subsidies;
- recent technological advances that allow substantial increases in the capacity of new and existing fiber optic networks, resulting in long distance overcapacity;
- greater participation of traditional fixed telephony service providers;
- the continued convergence and bundling of telecommunications and IT services.

If there are further declines in telecommunication services' prices in Mexico, Axtel will be forced to competitively react to those price declines by lowering its prices or risk losing market share, which would adversely affect its operating results and financial position.

Certain competitors have significantly greater financial resources and scale than Axtel. In particular, America Movil's national network and its concessions, as well as its established customer base, give it a substantial competitive advantage.

Axtel's ability to generate cash flow will depend on its ability to compete in the ICT industry in Mexico.

Competition in the ICT industry has increased significantly as competitors have faced a reduction in their margins from voice and data services. As a result, Axtel has been shifting its focus and sales efforts to new value-added and digital transformation services, including capturing future growth in providing IT services in Mexico and connectivity to wholesale customers. This strategy has several risks, including:

- Continuous, rapid and significant changes in technology and new products in the field of IT, the competitive market for connectivity services.
- Uncertainty in the political and economic environment to make investments in telecommunications.
- The highly competitive nature of the ICT market.
- The stronger competitive position and scale of some of Axtel's competitors, such as América Móvil, which is the dominant provider of telecommunications services in Mexico.
- Limited flexibility in the Mexican regulatory framework applicable to telecommunications to obtain approval on proposed technology changes.
- Strict, unfavorable, or delayed interpretations by regulators, in relation to the implementation of Axtel's services, the offering of new services, or the integration of its services; and
- Additional competition from companies providing telecom and IT services.

Axtel depends on certain important customers that generate a substantial part of its income.

Axtel has more than 11 thousand enterprise and government clients in Mexico; including national and multinational corporations, large and medium-sized companies in the financial sector, retail, education, manufacturing, among others and federal, state and local entities of the government sector. Additionally, Axnet has important wholesale customers.

In 2023, the top ten customers represented 23% of the Company's total sales. The two largest customers accounted for 5% and 4% of total sales, respectively.

If a major client reduces or terminates its relationship with Axtel under the terms contemplated in the respective contracts, it could affect the financial situation, income and operating results of Axtel. No other customer accounted for more than 5% of total revenues.

However, Axtel is Altán´s IT and telecommunications services provider. On November 12, 2021, Altán was declared in *concurso mercantil*, which affected the Company´s results. For more information, see section 1*.3) Recent important events* of this *Annual Report.*

Contracts with the government segment have higher levels of uncertainty.

Government segment revenues represented 11%, 10% and 12% of total revenues for 2023, 2022 and 2021, respectively. The agreements are subject to a higher level of uncertainty since they can be rescinded if certain conditions are not met, and a public tender process should be carried out for an extension or direct award. In addition, bidding processes for new contracts may or may not be postponed, depending on market conditions. The loss of market share or income from agreements with customers in the government segment have had and could have a negative impact on Axtel's financial condition and results of operations.

The Company may be subject to disruptions in the continuity of its services and business processes.

Axtel has the systems and infrastructure to support its business, including technologies and control processes, which can be susceptible to interruptions due to disruptive events such as fires, floods, earthquakes, loss of electricity, technology failures, health situations that put employees at risk, among others.

The interruption in its operations for a prolonged time, could affect its operation and, therefore, its clients trust, its sales and profitability. To manage this risk, Axtel has a Management System for Business and Risk Continuity, certified by the international standards ISO 22301 and ISO 31000.

An example of the above was response and recovery of services, in the face of Hurricane OTIS hitting the coast of Guerrero last October 2023. Axtel had to activate its emergency and Business Continuity protocols to address the situation, which allowed it to be one of the first technology providers to arrive at the scene and subsequently recover telecommunications services. Among the strategies that allowed the success of the Company’s recovery were: agreements and collaboration with regulatory entities, critical suppliers (carriers, energy, supplies) and the affected community, as well as the support network between regions, effective communication protocols and adequate logistics for supplies. However, it cannot be assured that business continuity plans will be completely effective in the event of interruption or failures in the Company's information technology systems, which is why improvements are made in the recovery strategies, identified in periodic continuity drills, as well as in real events associated with services and infrastructure.

The Company may be subject to cyberattacks, which may affect its information security.

Axtel's technologies, systems and networks, due to their line of business, may become the target of cyberattacks that could put its information and that of third parties for which it is responsible at risk.

To manage this risk, Axtel has an Information Security Management System certified by the international standard ISO 27001 along with others of international recognition, a robust architecture that constantly evolves according to new threats and existing trends, collaboration with intelligence organizations and the capabilities of its Cyber Defense Operations Centers to face the risk of cyberattacks and respond in a timely manner.

An example of this, is that in 2020 given the rapid establishment of remote work (virtual office) and in 2022 derived from the cyber war due to the war conflict between Russia and Ukraine, cyberattacks increased worldwide, as a result, Axtel continues to adopt new security controls and reinforce existing measures (technologies and digital hygiene awareness campaigns) increasing the capacity to respond to this type of events.

Although Axtel has not suffered material losses related to a cyberattack, it cannot be guaranteed that it will not occur in the future and could negatively affect its operations or financial situation. Furthermore, if Axtel fails to prevent the theft of valuable information, such as its financial data and/or confidential information, or if it fails to protect the privacy of customers and/or employees’ data, the business may be adversely affected. Axtel continues to monitor and investigate both technological and cyberattack trends to continue improving its protection measures.

Risk that investments will not generate the expected income.

In 2023, 2022 and 2021, investments in network and infrastructure and intangibles totaled Ps. $1,340 million, Ps. $1,331 million and Ps. $1,533 million, respectively. It is expected that significant additional amounts will have to be invested to maintain and improve the network and expand capacity and business in the future, including acquisitions and the sale of non-strategic assets. Such investments and divestments, together with operating expenses, can affect the generation of cash flow and profitability, especially if additional revenues or efficiencies are not generated. Axtel forecasts that, in addition to maintaining strict control in the administration of the business, continuous growth will require attracting and retaining the necessary qualified personnel for efficient management of the growth mentioned. If the challenges cannot be overcome, operating results and the financial situation of the Company may be affected.

If strategic suppliers stop providing services, technologies and/or equipment to Axtel, its results of operations could be adversely affected.

Axtel's main suppliers include Cisco, Microsoft, Oracle, Fortinet, IBM, Equinix, among others. If any of these providers does not deliver the services, technologies and / or equipment necessary for Axtel's operations and there is no alternate provider available, the ability to perform the necessary implementations to have the penetration and coverage sought would be negatively affected, which could affect the operating results of the Company.

The telecommunications sector is characterized by rapid technological change, which could require Axtel to make important capital investments to continue increasing its market share.

The telecommunications industry is subject to continuous, rapid and significant changes to technology or access networks and to the introduction of new products and services based on the demand by the market, as well as characteristics of the technological alternatives available, its costs and its adaptability to the company's environment. It is expected that new services and technologies applicable to the market will continue to emerge, making it impossible to predict the effect of technological changes on Axtel's business.

The systems and technologies may not be as efficient in the future as those used by competitors. Changes or advances in alternative technologies could adversely affect the Company's competitive position, forcing a significant rate reduction, additional capital investments and / or the replacement of obsolete technology. In case of obsolescence, it is possible that Axtel would not be able to access new technologies at reasonable prices. To the extent that equipment or systems become obsolete, it may be required to recognize a charge for impairment of these assets, which could have a material effect on the business and operating results.

On the other hand, the deployment of these technologies is susceptible to delays or may not meet the expected capabilities, which would result in slower growth and adversely affect operating results. In addition, if any of the ICT service providers stops supplying equipment and services, or if they do not allow the necessary actions to ensure the desired penetration and coverage, it could have a negative impact on the Company's results.

If Axtel does not successfully maintain, upgrade and efficiently operate accounting, billing, customer service and management information systems, it may not be able to maintain and improve its operating efficiencies.

Sophisticated information and processing systems are vital to Axtel's operations and growth, as well as its ability to monitor costs, render monthly invoices for services, process customer orders, provide customer service and achieve operating goals. The Company considers it has installed the necessary systems to provide these services efficiently. However, there can be no assurance that Axtel will be able to successfully operate and upgrade such systems, or that these systems will continue to perform as expected. Any failure in these systems could impair the Company's ability to bill, collect payment from customers and respond satisfactorily to customer needs, affecting its financial condition and results of operations.

The Company's insurance coverage could be insufficient to face future responsibilities, including lawsuits, due to the limits established by the contracted coverage, or it could be the case that the insurance companies deny coverage for such responsibilities. In both cases, there could be negative effects on the Company's business, financial situation, and results of operations.

The Company's external insurance coverage could be insufficient to cover damages, for example, if the value of such damage is greater than the amounts covered by the insurance policies, or, if it was not a covered damage. This situation could generate important unforeseen expenses, which would negatively affect the business, the results and the financial situation of the Company. Additionally, insurance companies may seek to terminate or deny coverage for future liabilities, including lawsuits, investigations and other legal actions against the Company. In the event of such future liabilities and insufficient coverage, or if coverage is terminated or denied by insurers, the Company could have adverse effects on its business, financial condition and results of operations.

A failure in the infrastructure and/or systems of the Company could cause delays or interruptions in the services it provides, which could cause a loss of customers.

To be successful, the Company will need to continue providing its customers reliable service over its network. Some of the risks that its network and infrastructure are exposed to include:

- physical damage to access lines;
- power surges or outages;
- software defects; and
- disruptions beyond the Company's control.

Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause the loss of customers and/or the incurrence of additional expenses.

Axtel’s operations are dependent upon its ability to protect its network infrastructure.

The Company’s operations are highly dependent on its ability to protect its network infrastructure against damages from fire, earthquakes, hurricanes, floods, power loss, security breaches, software flaws and similar events, as well as building networks that are not vulnerable to the negative effects of such events. The occurrence of a natural disaster or other unanticipated problems at the facilities or at the sites of its switches, data centers or POPs could cause interruptions in the services Axtel provides. The failure of a switch, data center or POP would result in the interruption of services to customers until necessary repairs are done or replacement equipment is installed. Repairing or replacing damaged equipment may be expensive. Any damage or failure that causes interruptions in operations could have a material adverse effect on Axtel’s business, financial and operating results.

Any loss of key personnel could adversely affect the business.

Axtel's success depends, to a large extent, on the skills, experience and collaboration of the management team and key personnel and the correct strategic decision-making on the part of the governing body. There is a lack of qualified personnel in the Mexican market, which has increased the demand for experienced executives. Axtel's executive management team has extensive experience in the industry, and it is very important that they continue in the Company or be replaced by managers equally trained to maintain contractual relationships with the most important clients, as well as the efficient operation of the business. Lack of technical, managerial and industry experience of key employees could hamper the optimal business plan execution and could result in delays in the launch of new products, loss of clients and diversion of resources for the personnel’s replacement.

To guarantee that Axtel has the intellectual capital to achieve its objectives and aware that competing companies may be interested in its personnel, plans for retention, succession, replacement and training of essential competencies were developed to guarantee the continuity of its operations. However, it cannot be guaranteed that Axtel will be able to retain or attract and hire highly trained, talented and committed personnel in a short time, to avoid affecting its ability to implement its business objectives.

Any deterioration in the relationships with its employees, changes in labor legislation, or the increase in labor costs can have a negative impact on Axtel’s business, financial condition, results of operations and prospects.

At the end of 2023, Axtel had 3,946 employees in Mexico. Since Axtel sold its mass market segment in 2019, the Company no longer has unionized personnel. The Company is prepared so that any change in labor legislation does not generate drawbacks, it also has a 360° wellness program that supports the requirements specified in Nom 035. Any significant increase in labor costs, deterioration of relationships in any of its locations, whether due to employee turnover, changes in labor legislation or their interpretation, could have a material adverse effect on the business, financial condition, results of operations and prospects.

Axtel's operations are subject to general litigation risks.

Axtel is involved in litigation on various affairs, which have continuously arisen due to its business, legislative modifications, State policies, executive and regulatory activity of the competent authorities; likewise, it has been identified that state and municipal jurisdictions have issued provisions that imply the burying of new infrastructure as well as the existing one, which has led to litigation.

Although generally there have been good results in the litigation procedures in which the Company participates, the trends, expenses and results of these cannot be predicted with total certainty, while the most adverse scenarios could have a material effect on the business, financial situation and operation results of Axtel.

Axtel depends on the Preponderant Economic Agent (“AEP”) for the provision of telecommunications services, including dedicated links and last mile access infrastructure, if in the future Telmex ceases to be an AEP and is allowed to charge higher rates than those currently regulated by the Instituto Federal de Telecomunicaciones (“IFT”), Axtel could have a material adverse effect on the business and results of operations.

Since July 4, 2014, when the LFTR was announced, the IFT determined that América Móvil and its subsidiaries, Telmex and Telcel, are Preponderant Economic Agents in the Telecommunications sector, imposing asymmetric regulations.

In December 2020, after a previous modification to the preponderance measures, the IFT issued the second biennial review of the preponderance measures for both fixed and mobile wireless network markets, in particular for *AEP* companies and subsidiaries allowing tariff freedom or less strict price control, for regulated wholesale inputs (fiber optics from the access network and dedicated links). To date, the expected price effects of the measures have not materialized, since the IFT has not issued rules to make price control of dedicated links more flexible, and on the other hand, the AEP has not implemented tariff freedom for the unbundling services.

In December 2022, the third review process of the preponderance measures imposed on the AEP in telecommunications began; this process is expected to be completed by the end of 2024.

The result of the review of the measures cannot be predicted, however, it has been pointed out that during the period of analysis no substantial improvements have been observed in terms of the provision of services and it has been requested that prices remain oriented to costs to avoid abrupt and unjustified increases.

Axtel has experienced losses in the past in relation to derivative financial instruments.

Axtel enters derivative financial instruments mainly to manage the risk associated with interest rates and to fully or partially hedge obligations contracted in foreign currency, such as debt service and investments denominated in US Dollars. The policy is to enter derivative operations for hedging purposes only, however, some derivative financial instruments may not qualify for hedge accounting under IFRS. The accounting for the market value of derivative financial instruments is reflected in the comprehensive income statement.

In addition, the Company faces the risk that the creditworthiness of the counterparties in such derivative financial instruments may deteriorate substantially. This could prevent its counterparties from fulfilling their obligations, which would expose the Company to market risks and could have a material adverse effect.

Axtel intends to continue using derivative financial instruments in the future. As a result, additional net losses may be incurred, and the Company may be required to make cash payments or post cash as collateral in relation to derivative financial instruments.

Derivative financial instruments may be subject to margin calls in the event the threshold or line of credit established by the parties is exceeded. If Axtel were to enter such derivative financial instrument contracts, the cash required to cover such margin calls could be substantial and could reduce the funds available for its operations or other capital needs.

Insurance coverage may not be sufficient to cover future liabilities, including claims for litigation, either due to coverage limits or because of the insurers' denial of those obligations, which in any case, could have a material adverse effect on the Company's business, financial condition and results of operations.

Third party insurance coverage may not be sufficient to cover the damages that may be incurred if the amount of said damages exceeds the amount of the insurance coverage or if the damages are not covered by Axtel's insurance policies. Such losses could cause unforeseen significant expenses that would result in an adverse effect on the business, financial situation and results of operations. In addition, insurers may seek to terminate or deny coverage with respect to future liabilities, including claims, investigations and other legal actions against the Company. This could have a material adverse effect on the business, financial situation and results of operations.

The Company has a majority shareholder, Controladora Axtel, whose interests may not be aligned with those of Axtel or its creditors.

Controladora Axtel owns 53.9% of the outstanding common shares of Axtel. As such, Controladora Axtel has and will continue to have, the power to control operations and may exercise control in a manner that differs from other interests. The interests of Controladora Axtel may differ from the interests of minority shareholders or creditors in material aspects, including with respect to, among others, the appointment of board members, the appointment of the CEO and the approval of mergers, acquisitions and other non-recurring activities. In addition, Controladora Axtel and a group of shareholders holding a portion of Axtel's capital share have entered into a shareholders' agreement for the purpose of defining their relationship as shareholders, as well as establishing certain restrictions on the transfer of shares between Controladora Axtel and said shareholders. This shareholder agreement contains, among other provisions, rules for the appointment of board members, provisions relating to matters requiring a qualified majority at shareholders' meetings and provisions on preemptive rights.

As a result of the Spin-off, Axtel could receive a credit rating downgrade as it does not have the implicit support of ALFA. The foregoing could make it difficult for the Company to finance its future capital needs and/or obtain the refinancing for the outstanding debt at competitive prices when the time comes due. Furthermore, as an independent public company, Controladora Axtel would not be able to obtain the same benefits as if it continued to form part of ALFA's business group.

Some risk rating agencies could consider that Axtel's rating has a better credit rating by having the implicit support of ALFA; In the absence of this support due to the Spin-off, Axtel could receive a downgrade in its credit rating, causing its financing costs to increase and/or reducing its ability to access a wide range of financing sources as it has done in the past before the spin-off. In addition, some financial entities could decide not to grant additional financing or refinancing of existing debt to Axtel as it does not belong to ALFA, which would make it unable to finance its capital needs or to refinance its existing debt.

Because of the Spin-off, there is a risk that the Company, being an independent public company that is no longer part of ALFA, will be affected to a greater extent by market movements and other adverse events, such as certain access limitations to the financial markets or, as the case may be, a downgrade in its credit rating; than if it continued to be part of ALFA. Likewise, the Company's customers and suppliers could perceive that, by not being part of ALFA, it might have a lesser capacity to respond to the commitments acquired and be subject to cancellation of commercial contracts; In addition, it might not have the same purchasing power or access to capital markets. The foregoing could have a significant adverse effect on its business, financial situation and results of operations.

Axtel carries out transactions with different companies and affiliates, which could generate conflicts of interest.

Axtel has and will continue to carry out transactions with ALFA and several entities directly or indirectly owned or controlled by ALFA. Specifically, Axtel has entered certain service contracts with affiliates in exchange for certain fees. Mexican law applicable to public companies and the Company's bylaws provide for several procedures, which include obtaining fair and favorable opinions from internal committees, designed to ensure that transactions entered with, or between subsidiaries and ALFA, do not deviate from market conditions including the approval of the board of directors for some of these transactions. Axtel is likely to continue to carry out transactions with ALFA and its affiliates or subsidiaries and Axtel’s subsidiaries and affiliates are likely to continue to transact between them and there is no guarantee that the terms considered under market conditions will be considered as such by third parties. In addition, future conflicts of interest may arise between Axtel and ALFA or any of its subsidiaries or affiliates, conflicts that may not be resolved in favor of Axtel. See section *4.2) Operations with Related Parties* on this *Annual Report.*

Fraudulent use of services may increase Axtel's operating costs.

The fraudulent use of telecommunications networks by users and operators can generate a significant cost for the Company if eventual payment requirements from other fixed and mobile voice service operators arise, whether they are interconnection rates at the domestic level or international settlement fees. As a result, it is possible that Axtel will see a reduction in its profits, without ruling out the regulatory consequences of the authority’s intervention.

Regardless that technology has been developed to combat the fraudulent use of services and that Axtel has implemented such technology in its network, fraudulent practices have not been eliminated, as they are not under the exclusive control of the Company and because of the definition of new fraud categories, such as those related to data traffic between networks and between mobile devices.

1.4.2) Risks Relating to Indebtedness and Possible Bankruptcy

The level of debt of Axtel could affect its flexibility of operation and the development of the business, as well as the capacity to fulfill its obligations.

As of December 31, 2023, total debt including accrued interest was Ps. $10,631 million. Axtel's level of debt could have important consequences for investors in the Company's stock, including:

- limit the Company's ability to generate sufficient cash flow to meet the obligations arising from its indebtedness, particularly in the event of a default under any of the contracts that document such debt;
- limit cash flow to finance working capital, invest in fixed assets and cover other corporate requirements;
- increase the Company's vulnerability to adverse economic and industry conditions, including increases in interest rates, exchange rate fluctuations and market volatility;
- limit the Company's ability to obtain additional financing to refinance its debt or to finance working capital, capital expenditures and other general corporate requirements, or to carry out future acquisitions on favorable terms, or at all;
- limit the Company's flexibility to plan for, or react to, changes in the business and industry; and
- limit the ability to incur additional financing to make acquisitions, investments, or take advantage of corporate opportunities in general.

To the extent that additional indebtedness is incurred, the risks described above may increase. In addition, actual cash requirements may be higher than expected in the future. The cash flow from operations may not be sufficient to pay the entire outstanding debt as it reaches maturity and the Company may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms or at all, to refinance its debt.

The Company could face difficulties in financing its operations and investments and/or obtaining refinancing of its outstanding debt, which could have an adverse impact on its business and results.

The Company may need to raise debt or issue additional capital to fund working capital and capital expenditures or make acquisitions and other investments. There can be no assurance that debt or capital financing will be available to the Company on acceptable terms.

A deterioration in the conditions of the capital and credit markets could affect the Company's ability to access them. Additionally, financing costs could increase if there are adverse changes in the Company's credit rating, which is based on several factors, including the level and volatility of its earnings, the quality of management and the Company's liquidity and capacity to access a wide range of funding sources. If that occurs, the Company may be unable to find additional financing available for its needs, whether on acceptable terms or not. Additionally, the Company may be unable to refinance its existing debt when it becomes due.

If the Company is unable to obtain sufficient financing or refinance its existing debt, its financial condition and results of operations could be adversely affected.

Axtel may require additional financing, which could aggravate the risks associated with its debt.

The Company may, in the future, require additional financing to finance its operations which would increase its leverage. To the extent that Axtel incurs additional indebtedness, the above risks could be increased.

Axtel operates in an intense capital investment industry and expects to make investments in the years to come as it enters new technologies and expands the capacity and coverage of its existing network to exploit market opportunities and maintain its network infrastructure, switches and POPs accordingly with the needs of the market. In addition, it operates in a highly regulated industry and faces the risk of having the mandate of government agencies to increase capital investments or incur in other expenses that are not currently contemplated. There is no assurance that there will be sufficient resources available to make these investments or to cover potential expenditures requested by government agencies and that, if required, there is available funding or with terms and conditions acceptable to Axtel. In addition, the power to obtain additional financing will be limited to the terms and conditions of existing credit agreements or those entered in the future.

Adverse and volatile conditions in domestic or international credit markets, including higher interest rates, reduced liquidity, or a decrease in interest by financial institutions in granting Axtel a credit, have increased in the past and could increase in the future the cost of funding or the possibility of refinancing debt maturities. This could have adverse consequences on the financial situation or operating results.

The conditions and terms of the credit loans may restrict both the financial and operational ability of the Company.

The credit or loan agreements establish certain limitations on the ability to, among other things:

- incur additional indebtedness;
- pay dividends or make distributions to its stockholders;
- create liens to secure indebtedness;
- make loans or investments;
- enter transactions with its affiliates;
- sell or transfer assets;
- merge or consolidate with other companies;
- enter new lines of business; and
- perform operations with financial derivative instruments.

Some limitations include financial ratios, which the Company may not have the ability to maintain in the future. The affirmative and negative covenants may limit its ability to finance future operations, capital requirements, enter a merger or acquisition or enter other favorable business activities.

1.4.3) Risks Related to the Mexican Telecommunications Industry

Axtel operates in a highly regulated industry.

As a public service provider, the Company is subject to extensive regulation. The operation of telecommunications systems in Mexico is currently subject to laws and regulations administered by the IFT, aimed at regulating and promoting competition and the efficient development of the telecommunications and broadcasting industry in Mexico. Such laws and regulations have been modified in the past and can be modified or repealed repeatedly. Therefore, the Company may need to implement changes and / or adjustments in the operation to bring them into line with the current regulatory framework and comply with all obligations to avoid affecting the business. Adverse IFT interpretations can affect business and results of operations. See section *2.12.4) Reforms in the Telecommunications Sector in Mexico* of this *Annual Report.*

There are initiatives promoted by Municipalities or States, that seek to force concessionaires to bury aerial infrastructure. If approved, the burial initiatives would have a negative impact, increasing the Company´s investments and costs associated with deployment, repair and maintenance of infrastructure.

Given that aerial infrastructure turns out to be an affordable investment, quick to install and easy to repair, migrating telecommunications infrastructure to the underground would imply an increase in investments and operating costs for the Company, as well as a limitation for new investments in infrastructure deployment; having an unfavorable impact on the business. However, Axtel has fought the various provisions on the matter through litigation, none have been resolved to date.

Under Mexican law, Axtel's concessions can be expropriated or revoked.

In accordance with the LFTR, which came into force in August 2014, public telecommunication networks are considered public domain and the concession holders that install and operate them are subject to the provisions established in the LFTR and those other provisions contained in the respective concession title. The LFTR establishes, among others, the following provisions:

- The rights and obligations granted in the concessions can only be transferred with the prior authorization of the IFT;
- Neither the concession, nor the rights inherent to it or the related assets, may be subject to transfer, pledge, trust, mortgage or be committed or sold to the government or a foreign country;
- The Mexican government may require changes or modifications to the spectrum granted in the concession, in any of the following events: i) reasons of public order, ii) national security, iii) the introduction of new technologies, iv) to solve interference problems, v) to comply with international treaties, vi) for reordering frequency bands and vii) for the continuity of a public service; and
- The Mexican government may take over, suspend, or indent assets related to concessions in the event of natural disasters, war, significant public disturbances, or threats to internal peace and for other reasons of public or economic order.

The reasons for expropriation vary and can be claimed by the Mexican government at any given time. The Mexican legislation provides a compensation for direct damages caused by the takeover, temporary suspension or requisition of property derived from the procedure, except in the case of war. However, if the concessionaire does not agree with the amount of compensation determined by the IFT, he may go to the Specialized Courts in telecommunications matters, to request its intervention so that it determines the amount in definite. If the Company's concessions are expropriated, there may be significant delays in the payment receipt of the applicable compensation. In addition, the amount of compensation payment may be insufficient to compensate the damages suffered. Also, the takeover of concessions may limit or extinguish the ability to continue with the business. The redemption or suspension of concessions would have a material adverse effect on Axtel's business and operating results.

Mexican legislation does not prevent the concessionaire from granting guarantees to creditors (except for those intended to be granted to the government or a foreign country) related to the concessions and their assets provided that the respective legislation is complied with; however, in the event that the guarantee is executed, the respective transferee must comply with the provisions in relation to the concessionaires, including, among others, the requirement to receive the authorization to be the holder of the concession by the competent regulatory authority.

The Company may face unfavorable conditions with respect to its concessions.

Derived from the concession titles, Axtel is subject to compliance with obligations and commitments established therein. Axtel has an area dedicated to monitor compliance with the obligations of these concessions, however, failure to comply with the conditions imposed in the concessions could result in a fine or even the revocation of such concessions.

In 2020, IFT extended the radio spectrum frequency band concessions for an additional 20 years, after acceptance of new conditions and having made the respective payments.

The regulatory authority may request the Company to offer services in certain areas where it currently does not provide services and where it may experience a lower operating margin.

Derived from the authorizations to extend the validity of the concessions, in the new spectrum concession titles there is an obligation to participate in programs of social and population coverage, connectivity in public places and contribution to social coverage, for which the IFT may ask the Company to execute said programs, where the Company would provide services in certain geographic areas where it currently does not provide services.

Derived from technological advances, regulatory changes and lack of enforcement, Axtel is facing additional competition from new market participants, which may result in a reduction in prices for its services, reduced income margins and / or the loss of market share.

Derived from technological advances and regulatory changes, cable operators entered the Mexican telecommunications market with convergent services, which increased the level of competition. This dynamic has been maintained and recently operators offer not only Internet, voice and television services, but also mobile telephony and Internet.

Axtel, to address market dynamics, has begun providing residential internet services in a municipality in the state of Nuevo León. In addition, it has Alestra Móvil as an offer in the mobile voice and internet services market, focused on Enterprise customers.

1.4.4) Risks Relating to Mexico and Other Global Risks

Global and Mexican economic conditions can adversely affect business and financial performance.

Global and Mexican economic conditions may adversely affect the business, operating results, or financial situation of the Company. When economic conditions deteriorate, the financial stability of customers and suppliers may be affected, which could result in lower demand for services and products, delays, or cancellations, increases in uncollectible accounts or breaches by customers and/or suppliers. Likewise, it could be more expensive or difficult to obtain financing to fund operations, investments, or acquisition opportunities, or to refinance outstanding debt. If Axtel is not able to access the debt markets at competitive rates, or cannot access them, the ability to implement its business plan and strategies, or to refinance its debt, could be adversely affected.

The government in Mexico, the war between Russia and Ukraine, the volatility of the Mexican peso against the US dollar, the trade relationship between the United States and China, the fear of a global slowdown, among others, have caused volatility in credit, capital and debt markets. If the global economic deterioration or deceleration continues, or if the exchange rate of the Mexican peso against the US dollar depreciates considerably, Axtel could face a deterioration of its financial condition, a decrease in the demand for its services and/or a negative impact within its customers and suppliers. The effects of the current situation are difficult to predict and mitigate.

Weakness in the Mexican economy could adversely affect Axtel’s business, financial condition and operating results.

Axtel’s Operating results and financial condition depend partly on Mexico’s economic activity level. Income in Mexico has a considerable dependence on oil, U.S. exports, remittances and commodities and these variables are factors that are beyond the Company’s control. External economic events could significantly affect Mexico’s general economy and cause sudden economic shocks like those experienced in 2020 when Mexico’s GDP declined 8.5% and in 2009 when it declined 5.3%, while in 2023 GDP increased 3.2% (*Source: INEGI*). Volatility in Mexico’s economy could significantly affect Axtel’s business and operating results.

Mexico could continue to go through a period of violence and criminal activity which, in turn, could affect the business and results of operations.

Mexico has experienced periods of high violence and crime due to organized crime activities. In response, the Mexican government has implemented various security measures and has strengthened its police forces and the army. Despite the above, organized crime (especially related to drugs and the theft of gasoline) continues to exist in Mexico. Their activities, the possible aggravation of these and the corresponding violence, could have an adverse effect on the national economy or on the Company's operations in the future. The social and political situation in Mexico could adversely affect the Mexican economy, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

Mexican federal governmental policies or regulations, as well as economic, political and social developments in Mexico, could adversely affect the business, financial condition, results of operations and prospects.

Axtel is a *sociedad anónima bursátil mexicana de capital variable* and substantially all its assets are located in Mexico. As a result, its business, financial condition, operating results and prospects are subject to political, economic, legal and regulatory risks related to Mexico. The Mexican federal government has and continues to exercise, significant influence over the Mexican economy. The impact political conditions might have on the Mexican economy cannot be predicted. Furthermore, Axtel’s business, financial condition, results of operations and prospects may be affected by currency fluctuations, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments affecting Mexico, over which the Company has no control. Political events in Mexico can significantly affect economic policies and, consequently, Axtel. It is possible that political uncertainty, could adversely affect Mexico's economic situation and the operations and financial condition of the Company.

The Company cannot assure investors that changes in Mexican federal governmental policies will not adversely affect its business, financial condition, results of operations and prospects. Axtel does not have and does not intend to obtain a political risk insurance.

Developments in other countries could adversely affect the Mexican economy and Axtel's operating results.

As is the case regarding securities from issuers in other emerging markets, the market value of securities of Mexican companies is, to different degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers.

In addition, the correlation between economic conditions in Mexico and the US has increased in recent years because of T-MEC. As a result, a slowdown in the US economy and the uncertain impact it could have on general economic conditions in Mexico, could affect Axtel's financial condition and results of operations. In addition, due to developments in the international credit markets, capital cost and availability could be significantly affected and could restrict Axtel's ability to obtain financing or refinancing of its existing debt on favorable terms, if at all.

Changes in the United States government policies.

Changes in the policies implemented by the current presidential administration of the United States may affect the Mexican economy and may materially damage Axtel's business, financial situation and operating results. Any substantial change in US commercial policies, particularly any modification with respect to Mexico and the Treaty between Mexico, the United States and Canada, or T-MEC, could have a material adverse effect on the Mexican economy and the business, operating results and financial condition of the Company.

Axtel faces risks related to fluctuations in interest rates, which could adversely affect its operating results and its ability to pay debt and other obligations.

The Company is exposed to fluctuations in interest rates; as of December 31, 2023, approximately 97% of its debt accrued interest at a variable rate. Changes in interest rates could affect the cost of this debt. If the interest rates increase, the service obligations of the variable rate would increase (even if the amount owed remains the same) and the net profit and the cash available for payment of debt would decrease. As a result, the financial situation, operating results and liquidity could be adversely and significantly affected. In addition, attempts to mitigate interest rate risk by financing long-term liabilities with fixed interest rates and the use of derivative financial instruments, such as variable to fixed interest rate swaps with respect to indebtedness, could result in failure to achieve savings if the interest rates fall, negatively affecting the Company's operating results and capacity to pay its debt and other obligations.

A devaluation of Mexican currency against the US dollar could have a material adverse effect.

While most of Axtel's revenues are denominated in pesos, most of its capital investments and 59% of its debt as of December 31, 2023, is denominated in dollars. In the past, the value of the Mexican peso has been subject to significant fluctuations against the dollar and may be subject to significant fluctuations in the future. According to the Bank of Mexico, the peso depreciated 3.1% in 2021, appreciated 6.3% in 2022 and appreciated 14.6% in 2023 against the dollar in nominal terms. Future devaluations of the value of the peso against the dollar could result in the disruption of the international currency markets. This may limit the ability of the Company to transfer or convert pesos to dollars and other currencies and adversely affect the ability to meet its current and future obligations. Any change in monetary policy, exchange rate regime or the exchange rate itself, derived from market conditions, could have a considerable impact, either positive or negative, on the business, financial situation, operating results and the prospects of the Company.

Mexico could suffer high levels of inflation in the future, which could adversely and significantly affect the business, operating results and prospects of the Company.

In the past, the Mexican economy has experienced periods of high levels of inflation and may experience them again in the future. Historically, inflation in Mexico has generated high interest rates, the depreciation of the Peso and, in some cases, the imposition of significant government controls over currency exchange and prices, which, at times, has affected operating income and Company margins. According to INEGI calculations, the annual inflation rate in recent years, measured by changes in the NCPI, was 7.4% in 2021, 7.8% in 2022 and 4.7% in 2023. Although inflation has moderated in recent years, Mexico could continue to experience high inflation in the future. A significant increase in the inflation rate in Mexico could adversely affect the purchasing power of consumers and therefore, negatively impact the demand for Axtel's services, as well as increasing some of the costs, adversely affecting the business, financial situation, operating results and prospects of the Company.

The approved modifications to Mexican tax laws may adversely affect the Company.

If the tax laws in Mexico are modified in the future, Axtel's business, financial condition and results of operations could be adversely affected.

Axtel is subject to laws and regulations against corruption, bribery, money laundering and antitrust laws in Mexico and other countries in which it operates. Any violation of such laws or regulations could have a material adverse impact on the reputation and operating results and financial condition of the Company.

Axtel is subject to laws and regulations against corruption, bribery, money laundering, monopoly and other international laws and is bound to comply with applicable laws and regulations of the countries in which it operates. In addition, the Company is subject to regulations on economic sanctions that restrict its relationships with certain countries, individuals and entities sanctioned. There can be no assurance that internal policies and procedures will be sufficient to prevent or detect all improper practices, fraud, or violations of the law by affiliates, employees, directors, officers, partners, agents and service providers. Any violation by Axtel of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on the business, reputation, operating results and financial condition.

Even with the asymmetric regulation, there are no equivalent competition conditions in biddings between the *Agente Económico Preponderante* ("*AEP*") in telecommunications and its competitors.

The telecommunications market in Mexico is a highly concentrated market, characterized by the reduction of prices and margins.

In the government bidding there is the risk that the *AEP* or another operator offers operating conditions and prices that cannot be replicated by Axtel, which may affect demand and revenues.

Axtel depends on a complementary manner on the infrastructure of the *Agente Económico Preponderante* ("*AEP*") as a necessary input to provide its retail services.

The annual adjustments to the reference prices for services that Axtel leases, generate additional expenses for the Company, such as:

- Charge for collocation services;
- Technology migration;
- Hiring of new components;
- Charge for Special Projects or Works;
- Increases in local or long-distance rental or installation rates.

Hence, there is some uncertainty regarding the negative economic impacts of these changes to the regulation, as well as any measure that allows the discretion of the *AEP* to make its infrastructure available both in terms of costs and service provision times.

Future health epidemics or pandemics, such as COVID-19, could have an adverse effect on Axtel's business, financial condition, results of operations and prospects.

Future health epidemics or pandemics, as occurred with COVID-19, can have strong impacts on the health, economic and social systems worldwide.

The Company has taken actions to counteract the effects of future epidemics or pandemics, as well as those that COVID-19 had on the economic markets in which it participates, focusing on strengthening the operational and financial performance, through constant monitoring of its structure of costs, key business processes and a commitment to its employees over a special focus on the redefinition and capitalization of experiences related to remote work; maintain a solid liquidity structure, through detailed management of cash flow; and constant monitoring of its financial position, to ensure the compliance of the stipulated covenants and its key financial ratios.

Despite Axtel's efforts to take all reasonable measures to mitigate the impacts of health epidemics or pandemics, it is not possible to predict the evolution and the impacts they might generate, which could have negative impacts on the business, financial situation, liquidity, results of operations and prospects of the Company.

Natural disasters, terrorist or organized crime activities, episodes of violence and other geopolitical events and their consequences could adversely affect Axtel's business, financial condition, results of operations and prospects.

Natural disasters, such as earthquakes, hurricanes, floods, or tornadoes, have affected Axtel’s business, its suppliers and customers in the past and could do so in the future. If similar events occur in the future, there may be business interruptions, which could adversely affect material results of operations. War, Terrorist attacks or the continuing threat of terrorism or organized crime in Mexico and in other countries, military action regarding this problem and the increase of security measures in response to such threats could have a significant impact in world trading levels. These activities, their possible escalation and the violence associated with them could have a negative impact on the Mexican economy or Axtel’s operations in the future. Additionally, some political events could lead to prolonged periods of uncertainty that would adversely affect the Company’s business, financial condition, operating results and prospects.

1.4.5) Risks Related to the Ordinary Participation Certificates (“CPOs” or “AXTELCPO”)

The Company cannot guarantee that there will always be an active market for the stock that will give the necessary liquidity to shareholders.

The Company cannot guarantee the liquidity of the AXTELCPOs or that the market price could not decrease significantly. Circumstances like variations in the operating results in the present or future, changes or fails to achieve the estimations of revenues of the analysts, among others, could cause a significant decrease in the prices of the AXTELCPOs.

Lower levels of liquidity and higher levels of volatility in the Mexican Stock Exchange may cause fluctuations in the price and volume of Axtel’s stock.

The BMV is one of the largest stock exchanges in Latin America in terms of accumulated market capitalization of the companies listed on it, but its liquidity and volatility make it small compared to other foreign stock markets. Although the public participates in the exchange of securities on the BMV, large institutional investors carry out a significant part of the activity on it. The volume of listings of securities issued by companies in emerging markets, such as Mexican companies, tends to be less than the volume of listings of securities issued by companies in more developed countries. The foregoing market characteristics may limit the ability of a holder to sell its AXTELCPOs and may also affect the market price.

The price of AXTELCPO may be volatile and investors may lose all or part of their investment.

The market price of Axtel's AXTELCPOs could fluctuate considerably and could be higher or lower than the market price paid. The market price of the shares could be influenced by various factors, some of which are beyond the control of the Company, including:

- High volatility in the market price and brokerage volume of securities of companies in the sectors in which the Company and its subsidiaries participate, which are not necessarily related to the performance of these companies;
- Changes in profits or variations in the operating results of the Company;
- Differences between actual financial and operating results and those expected by investors;
- Performance of companies that are comparable with the Company or with the subsidiaries of the Company;
- Industry trends in information technology and telecommunications;
- New laws or regulations or new interpretations of laws and regulations, including tax or other provisions applicable to the business of the Company or that of its subsidiaries;
- Investor perceptions of the Company and the industry in which it operates;
- Changes in financial estimates or securities analyst recommendations and variances between actual and expected results and investor expectations;
- Changes in financial or economic estimates by stock analysts;
- The acts carried out by the main shareholders of the Company with respect to the sale of their shares, or the perceptions in the sense that they plan to sell said shares;
- The hiring or loss of key managers;
- Perceptions about the way in which the Company's administrators provide their services and perform their duties;
- An increase in competition;
- Changes in technology that affect the business;
- Announcements, results or actions taken by competitors;
- The devaluation of the Peso against the Dollar and the imposition of foreign exchange controls or controls on the Company's ability to transfer funds;
- The general trends of the economy or financial markets in Mexico and the rest of the world, including those derived from wars, acts of terrorism or the measures adopted in response to such events;
- Sales of shares or other securities by shareholders;
- The effects of pandemics, such as COVID-19, on operations and the global economy; and
- The situation and political events in Mexico and the rest of the world.

Additionally, the capital market, in general, has experienced important fluctuations in price and volume that, generally, have not been related or have had a disproportionate relationship with the performance of the companies specifically affected. The Company cannot predict whether the Shares will trade above or below the net value of the Company. Likewise, this type of general fluctuation could adversely affect the price of the shares. In the past, shareholders have filed class action lawsuits against companies after periods of volatility in the market price of their securities. Any similar litigation against the Issuer could result in substantial costs, divert the attention and resources of the administration and damage the business or the results of operations.

These market and industry factors could materially and adversely affect the price of the Shares, regardless of the performance of the Company.

Future issuances of Shares may result in a decrease of the market price of the AXTELCPOs.

Future sales by Axtel's existing shareholders of a substantial number of their Shares, or the perception that a large number of shares will be sold, could depress the market price of the AXTELCPOs.

Preemptive rights may be unavailable to certain holders of AXTELCPO, which may result in a dilution of such AXTELCPO holders' equity interest in the Company.

Under Mexican law, subject to limited exceptions, if Axtel issues new shares for cash as part of a capital increase, it must grant preemptive rights to its shareholders, giving them the right to purchase enough shares to prevent dilution. However, the AXTELCPO Trustee will offer holders of AXTELCPO preemptive rights only if the offer is legal and valid in the AXTELCPO holder's country of residence. Accordingly, the Company may not be legally permitted to offer non-Mexican holders of AXTELCPO the right to exercise preemptive rights in any future issuances of shares unless:

- Axtel files a registration statement with the SEC with respect to that future issuance of shares; or
- the issuance qualifies for an exemption from the registration requirements of the *Ley de Mercado de Valores*.

At the time of any future capital increase, the Company will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, the benefits of enabling U.S. holders of AXTELCPOs to exercise preemptive rights and any other factors that they consider important in determining whether to file a registration statement. However, Axtel has no obligation to file a registration statement and it might not file one. As a result, the equity interests of U.S. holders of AXTELCPO would be diluted to the extent that such holders cannot participate in future capital increases.

In accordance with the provisions of the applicable legislation in Mexico, the Company's bylaws restrict the possibility of foreign shareholders invoking the protection of their governments regarding their rights.

Pursuant to the requirements of the applicable legislation in Mexico, the Company's bylaws provide that foreign shareholders be considered as Mexican with respect to their interests in the Company and that they agree not to invoke the protection of their Governments, nor request diplomatic intervention against the Mexican Government with respect to his rights and obligations as a shareholder. In case of violating this provision, such shareholders could lose, in favor of the Mexican Government, the shares they own. However, the Company's bylaws do not provide that foreign shareholders waive any other rights they may have, including any rights under US securities laws with respect to their investment in the Company.

Holders of AXTELCPO may face disadvantages when attempting to exercise voting rights as compared to an ordinary shareholder.

Shareholders may instruct the CPOs Trustee on how to exercise their voting rights, if any, pertaining to the deposited Series "B" Shares underlying their securities. If requested, the AXTELCPO Trustee will try, as far as practical, arrange to deliver the voting materials. Axtel cannot assure shareholders will receive the voting materials in time to ensure that they can give timely instructions as to how to vote the Series "B" Shares. If the CPOs Trustee does not receive the voting instructions in a timely manner, it will provide a proxy to a representative designated by the Company to exercise the shareholders' voting rights or refrain from representing and voting the deposited Series "B" Shares underlying their securities, in which case, those securities would be represented and voted by the CPOs Trustee in the same way as the majority of the Series "B" Shares that are held by investors are voted at the relevant meeting. Meaning that shareholders may not be able to exercise their right to vote.

Minority shareholders may be less able to enforce their rights against Axtel, its board members or its controlling shareholders in Mexico.

Under Mexican law, the protections afforded to minority shareholders are different from those afforded to minority shareholders in the United States. For example, because Mexican laws concerning fiduciary duties of board members are not well developed, it is difficult for minority shareholders to bring an action against them for breach of this duty as permitted in most jurisdictions in the United States. The motives for shareholder actions under Mexican law are extremely limited, which in practice prevents most of these lawsuits in Mexico. Procedures for class action lawsuits do not exist under Mexican law. Therefore, it may be more difficult for minority shareholders to enforce their rights against Axtel, its board members, or its shareholders than it would be for minority shareholders of a U.S. company.

Any actions shareholders may wish to bring concerning Axtel's bylaws, or the CPO Trust must be brought in Mexican court.

Pursuant to the Company's bylaws and the CPO trust documents, shareholders will have to bring any legal action concerning bylaws or the CPO Trust in courts located in Monterrey, Nuevo Leon and México, regardless of their place of residence. Any action the shareholder may wish to file will be governed by Mexican laws. As a result, it may be difficult for non-Mexican national shareholders to enforce their rights as shareholders.

If securities or industry analysts do not publish research or reports on the business, or if they publish negative reports, the stock price and trading volume could decline.

The price of the Issuer's shares in the stock market depends in part on the research and reports that securities or industry analysts publish about the Company and/or its business. If one or more of the analysts covering the Company revise downward their estimates of the value of the Company's shares and/or publish inaccurate or unfavorable research about the business, the price of the Shares could decline. If one or more of these analysts stops covering the Company or does not regularly publish reports on the Company, demand for the shares could decrease, which could cause the price of the shares and trading volume to decrease.

As of the date of this Annual Report, the Issuer does not have a formal dividend policy.

The payment of dividends by the Issuer and their amount are subject to approval by the shareholders based on the recommendation of its board of directors. The Issuer cannot guarantee that it will pay dividends in the future, or that its shareholders will approve the dividend payment policy prepared by the board of directors, nor can it predict the terms of such policy. Additionally, the Issuer may only pay dividends, (i) if the payment is approved by the shareholders who exercise control over the Issuer, (ii) if there are retained earnings reflected in the financial statements approved by the Issuer's shareholders, (iii) after the losses of previous fiscal years have been satisfied and (iv) after the Issuer has allocated at least 5% of the net profits with respect to such fiscal year to the legal reserve, which must be done every year until the legal reserve represents at least 20% of the Issuer's capital stock.

The Company does not have a dividend policy, however it is possible to establish one in the future, for which it will take into account the operating results, the financial situation, the capital needs, tax considerations, growth expectations and the factors that the members of the board of directors deem appropriate, including the terms and conditions of debt instruments, current and those that are entered into in the future, that limit the possibility of paying dividends. In any case, the dividends that it decrees and pays could be limited by its operating and financial results, including those derived from extraordinary events that could affect the financial situation and liquidity of the Company. In this context, the Company cannot guarantee that it will pay dividends in the future, nor the amount thereof in case they were paid.
Additionally, the Company cannot ensure that the board of directors will recommend the decree and payment of dividends to the shareholders or that, if it recommends it, the shareholders will approve such decree and payment of dividends.

The Company cannot ensure the payment of cash dividends.

The resources available for the payment of cash dividends, if any, could be affected by various factors, including the results of operations, the financial condition, the capital requirements of the Company, as well as current or future legal and contractual restrictions, such as the terms and conditions provided for in the debt instruments assumed or that may be assumed in the future by the Company, as well as the Company's ability to obtain resources from its subsidiaries, among other variables.

Mexico has different accounting and corporate disclosure standards than the US and other countries.

A primary objective of the securities laws of Mexico, the US and other countries is the promotion of full and fair disclosure of all material corporate information, including accounting information. However, publicly available information on issuers of securities in Mexico may be different or less than that regularly available on companies listed in countries with highly developed capital markets, such as the US.

The Securities Market Law and the Company's bylaws make, with certain exceptions, the acquisition of the Company by a third party difficult, which could affect the ability of holders of shares to benefit from a change of control, or the integration of the management team and the Board of Directors, as well as could imply that such holders have to pay a conventional penalty in favor of the Company.

The provisions of Mexican law and the Company's bylaws make it difficult and costly to make a purchase offer or other attempted acquisition of the Issuer by a third party, which would result in a change of control of the Issuer. Shareholders may wish to participate in such a transaction but may not have the opportunity to do so.

The Issuer's bylaws contain provisions that, among other things, require the approval of the Issuer's Board of Directors or, as the case may be, the extraordinary shareholders' meeting, before any person, group of persons or consortium acquires, directly or indirectly, (i) 10% or more of the capital stock or any of its multiples, or agree to vote in block shares that represent such percentage, or (ii) 30% or more of the capital stock and, in the case provided In this subsection, if such approval is obtained, the bylaws establish that the Board of Directors of the Issuer may require the acquirer to make a public offer for the acquisition of 100% of the capital stock at a price equal to the highest between (x) the last book value per share of the shares reported to the CNBV or the BMV, or (y) the highest price of the volume-weighted average of the transactions carried out during the 30 days of listing of the representative shares of the Issuer's capital stock prior to the takeover bid, for a period that may not exceed six months.

Violation of the provisions set forth in the Company's bylaws regarding the transfer of shares would give rise to the obligation to pay a conventional penalty in favor of the Issuer for an amount equivalent to the price of all the shares or equivalent securities subject to the restricted operation.

These provisions could materially affect the ability of a third party to acquire control of the Company and be detrimental to shareholders who wish to benefit from any premium or other change of control benefits paid on the sale of the Company in connection with a buy offer. For more information on this restriction, see *4.4) Bylaws and other agreements – Measures to prevent the change of control in Axtel of this Annual Report.*

1.5) Other Securities

At the date of the Annual Report, the Company has a total of 19,824,191,117 ordinary shares, with no par value, of Class "I" Series "B", fully subscribed and paid representing the fixed part of its capital stock, see Section 1.3) I*mportant recent events.*

The Company is listed on the BMV through non-amortizing CPOs issued under the Trust of CPOs, each one representing 7 Series "B" Class "I" Shares of Axtel's capital stock.

Since its listing in the BMV, the Company has delivered in complete form, the reports referred to by the LMV and by the Circular Única regarding relevant facts and periodic information required by these, as well as in compliance with the General Provisions applicable to entities and issuers supervised by the National Banking and Securities Commission that hire external audit services for basic financial statements ("CUAE").

1.6) Significant Changes to the Duties of the Shares Registered in the Record Book

Not applicable.

1.7) <u>Use of Proceeds</u>

Not applicable.

1.8) <u>Public Domain Documents</u>

This Annual Report, as well as the quarterly reports and the press releases regarding relevant events, are available in Axtel's web page at: *axtelcorp.mx.*

Any clarification or information can be requested by sending a letter to the Company's address at Av. Munich 175, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo León, C.P. 66450, to the attention of Adrian de los Santos, or by e-mail at *ir@axtel.com.mx.*

2. THE COMPANY

2.1) History and Development of the Company

The Company was incorporated under the name of Telefonía Inalámbrica del Norte, S.A. de C.V., by means of the public deed 3,680, dated July 22, 1994. On 1999, the Company changed its name to Axtel S.A. de C.V. and due to the implementation of the changes incorporated by the LMV in December 2006, the Company became a *Sociedad Anónima Bursátil* and its corporate name today is *Axtel, Sociedad Anónima Bursátil de Capital Variable* or Axtel, S.A.B. de C.V.

In June 1996, the Mexican government granted the Company a permit to install and operate a public telecommunications network to offer local and long-distance telephone services in Mexico for an initial period of 30 years. In 1998 and 1999, the Company won several radio-electric spectrum auctions, including 60 MHz at 10.5 GHz band for point-to-multipoint access, 112 MHz at 15 GHz band for point-to-point access, 100 MHz at 23 GHz for point-to-point last mile access and 50 MHz at 3.4 GHz for fixed wireless access, which together allow the Company to service the entire Mexican territory. In June 1999, Axtel launched commercial operations in the city of Monterrey, Nuevo Leon.

With the intention to continue with its sustained growth and in order to enhance its position of leadership in Mexico, on October 25, 2006, the Company entered into a contract with Banamex and Telecomunicaciones Holding, Mx, S. de R.L. de C.V., former controlling shareholders of Avantel, to purchase substantially all of the assets of Avantel Infraestructura and the equity interests of Avantel, S. de R.L. de C.V. and Avantel Infraestructura for an estimate of US $516 million (including the acquisition of net liabilities of US $205 million). Following receipt of all required approvals from its shareholders and government regulators, Axtel completed the acquisition on December 4, 2006. Along with the acquisition of Avantel, in January 2007, the Company issued 246,542,625 new Series B Shares (represented by 35,220,375 CPOs). The new Series B shares were subscribed and paid at a price of Ps. $1.52 each.

Avantel was legally acquired in December 2006. Avantel Infraestructura and Avantel, S. de R.L. de C.V were incorporated in 1994 as a 55.5%-44.5% joint-venture between Banamex (through Promotora de Sistemas de Teleinformática, S.A de C.V) and MCI Telecommunications Corp. On June 30, 2005, several capitalizations in related debt and/or transfer of stocks were made resulting in a dilution of MCI Telecommunications Corp. participation to 10% in both companies.

The integration of Avantel gave Axtel valuable spectrum in various frequencies, 390 kilometers of metropolitan fiber optic rings, 7,700 kilometers of long-distance fiber optic network, a robust IP backbone and connectivity in 200 cities in México, among others.

On October 1, 2015, the Company, Alfa, Onexa and Alestra signed a memorandum of understanding to merge Axtel and Alestra. On December 3, 2015, Alfa, Onexa, Alestra and Axtel signed the definitive agreements, subject to corporate and regulatory approvals, to merge Axtel and Onexa. On January 15, 2016, Axtel and Onexa held Extraordinary Shareholders' Meetings where the merger was approved . After completing the legal, operational and financial reviews and obtaining authorizations from the authorities, the transaction became effective on February 15, 2016, date as of which ALFA became the majority shareholder of Axtel, the merged company becoming extinct and only the merging company subsisting under its current name Axtel, S.A.B. de C.V. Therefore, as of that date, Alestra became a 100% subsidiary of Axtel. The merger between Alestra and Axtel created a new entity with a stronger competitive position and better capabilities to offer information and communication technology services to enterprise customers.

Alestra began operations in 1997 under an investment agreement between ALFA, AT&T and BBVA Mexico and became a leading provider of IT and telecommunications services focused on the business segment with a portfolio of solutions including managed networks and IT services, such as security, systems integration and cloud services. Alestra merged into Axtel, as of May 1, 2017.

Subsequently, on July 21, 2016, the shareholders of the Company during an Extraordinary General Shareholders' Meeting resolved the rectification of the number of shares outstanding and shares held in the treasury previously approved by the Extraordinary General Shareholders’ Meeting dated January 15, 2016, in which the merger between Axtel, as the merging company and Onexa, as a merged company was approved, the latter being dissolved, in which it was stated that the pertinent modifications and adjustments would be reflected in the capital stock derived, among others, from the conversions exercised by the holders of the convertible notes into shares, issued in accordance with the resolutions adopted by Axtel on January 25, 2013. Therefore, the cancellation of 182,307,349 ordinary nominative Class "I" Series "B" shares without expression of nominal value, representing the capital stock in their fixed minimum part of Axtel, not subscribed nor paid, which had been deposited in the treasury of the Company in order to support the conversions of the notes, whose holders did not exercise their respective conversion rights was approved; as a result, the reduction of the capital stock was resolved, in the amount of Ps. 92'398,010.82; due to the cancellation of the 182'307,349 shares. Additionally, Axtel's capital stock was consolidated in a single series, by converting all Series "A" shares in circulation representing the Company's capital stock, into Series “B” shares, of the same characteristics.

Likewise, on March 10, 2017, by means of an Extraordinary General Shareholders’ Meeting, the shareholders of the Company resolved to reduce the capital stock in its fixed minimum amount in the amount of Ps. 9,868,331.650.99 to remain the fixed minimum amount in Ps. 464,367,927.49, to partially absorb the negative balance of the account called "Cumulative losses", having previously applied the balance as of December 31, 2016, of the "Shares Issuance Premium" account.

On December 17, 2018, Axtel completed the divestment of its fiber business of the mass market segment located in Monterrey, San Luis Potosí, Aguascalientes, Mexico City, Ciudad Juárez and in the municipality of Zapopan to Televisa, for an amount of Ps. $4,713 million. In addition, on May 1, 2019, the Company divested the mass market segment located in León, Puebla, Toluca, Guadalajara and Querétaro, to Megacable in exchange for a consideration of Ps. $1,150 million, thus concluding the sale of the fiber optic business of the mass market segment.

On October 3, 2019, Axtel entered into an agreement with Equinix, Inc. (Equinix) in order to strengthen its collocation, interconnection and cloud solutions by signing two contracts, the final closing of the transaction occurred on January 8, 2020. Equinix acquired a new subsidiary entity of Axtel, which held the operations and assets of three data centers that belonged to Axtel; two located in Querétaro and one in Monterrey. Axtel maintains a non-controlling shareholding in the new subsidiary entity. The amount of the transaction was US $ 175 million.

Through the Extraordinary Shareholder’s Meeting on March 7, 2022, it was approved the cancelation of 424,991,364 ordinary shares, nominative, without expression of nominal value, of Class "I", Series "B" representative of the Axtel’s capital stock, equivalent to 60,713,052 AXTELCPOs, held in the Company’s treasury from the share buyback program. As a consequence of such cancellation, it was resolved to carry out the reduction in the fixed part of the Company´s capital stock remaining at $454'620,882.31. While on March 8, 2024, the cancellation of 45,000 Class “I” Series "B" shares, not subscribed or paid, was approved, which were deposited in the Company's treasury in order to support the conversions of the convertible obligations, because their holders did not exercise the respective conversion right. As a consequence of such cancellation of shares, it was resolved to reduce the fixed part of the capital stock to Ps. $454'619,850.35.

On July 12, 2022, ALFA's shareholders approved the spin-off of its share ownership in Axtel, to a new entity called Controladora Axtel. On May 29, 2023, Controladora Axtel began trading on the Mexican Stock Exchange, where ALFA shareholders received one share of Controladora Axtel for each of their ALFA shares, in addition to retaining their participation in ALFA's capital stock.

Finally, through an Extraordinary General Shareholders' Meeting, on March 8, 2024, the cancellation of 45,000 Class “I” Series "B" shares, not subscribed or paid, was approved, which were deposited in the Company's treasury to support the conversions of the convertible obligations, which were issued in a Meeting dated January 25, 2013, stating that to date, Axtel continues maintaining in its capital stock account such number of shares from such emission, as a result that its owners did not exercise the respective conversion right. As a consequence of such cancellation of shares, it was resolved to reduce the fixed part of the capital stock to Ps. $454'619,850.35.

The Company's life shall be unlimited, and its corporate domicile is in Av. Munich 175, Colonia Cuauhtémoc, 66450 San Nicolás de los Garza Nuevo León., México. Its telephone is +52 (81) 8114-0000 and its web page is *axtelcorp.mx.*

2.2) Business Overview

2.2.1) General

Axtel is a Mexican company that offers integrated Information and Communication Technology (ICT) solutions to support its clients in the process of evolution towards the digital transformation of their businesses and in the creation of communication networks, through its brands. Alestra and Axtel Networks or Axnet.

Axtel Networks or Axnet, which participates in the market as a neutral operator, provides connectivity solutions through fiber optics to wholesale customers, including national and international fixed and wireless operators, data center and tower operators, internet giants, as well as to Alestra. Axnet's service portfolio includes connectivity services such as last-mile access, long-distance transport, fiber to the tower, fiber to the data center, dark and lit fiber, spectrum and IP transit, among others.

On the other hand, Alestra works as a technological partner of more than 11,000 business clients. Its client base includes small, medium and large companies, corporations, financial institutions and government entities, seeking to accelerate the adoption of new generation services that contribute to the digital transformation and evolution of their businesses. Its portfolio includes Telecommunication services (Telecom), such as connectivity, managed networks and collaboration, as well as information technology (IT) solutions such systems integration and cloud services, and also cybersecurity and mobility solutions, among others.

Axtel considers it has the second largest fiber network in Mexico, with an infrastructure of approximately 50,800 kilometers, 23,800 kilometers of national transportation network (includes 13,400 kilometers of long-term capacity agreements) and 27,000 kilometers of metropolitan rings. Which provides Ethernet access to 76 cities. In addition, it has concessions in the spectrum bands of 7, 10.5, 15, 23 and 38 GHz. Axtel provides its services through an extensive hybrid wireless and wired local access network designed to optimize capital investments. Current options for last-mile access options for the Company's customers include fiber optic links through its metropolitan rings and point-to-point wireless technologies.

Axtel's vision is to be the best alternative in the digital experience through innovation to create value and its mission is to enable organizations increase their productivity through digitalization. The Company's strategic objective is to be the main enabler of digital transformation in Mexico and to be the leading neutral fiber optics network operator in Mexico. In line with this objective, the following business strategies were defined: (i) accelerate market share through a horizontal differentiation in business lines, with vertical focus in selected industries, with a highly specialized and close to the clients model; (ii) take advantage of its strong connectivity capacity, strategic alliances and enterprise customer base to add new digital transformation solutions or explore new opportunities; (iii) expand its market with innovative solutions, such as its mobility solution "Alestra Móvil" and greater government customer base, both federal and state; (iv) increase the coverage and capillarity of the fiber network in strategic regions, becoming the main connectivity provider for international operators, mobile networks and data centers; (v) improve efficiency and margins through the digitization of processes and operations; and finally, (vi) create a culture of empowerment and talent development.

In 2023, Axtel generated Ps. $10,956 million of income and registered operating profit and Comparable EBITDA of Ps. $576 million and Ps. $3,430 million, respectively.

2.2.2) Competitive Strengths

- *Leading provider of mission-critical solutions supporting the Mexican enterprise market in the evolution towards the digital innovation of their organizations.*

Following the Merger between Alestra and Axtel in 2016, the Company became the only player in the Mexican ICT market with an emphasis on the enterprise and government segments. The fast-changing needs of customers for information, connectivity, cybersecurity, mobility and cloud services, among others, position Axtel as a provider of essential services for its customers operations, being the consistent quality, trust and technical support of high importance for customer satisfaction. With its high focus on business services, Axtel has positioned itself as a brand that has leading experience, infrastructure and services to strengthen the ICT industry and contribute to the emergence of a new generation of more innovative, efficient and competitive companies in Mexico.

The above backed by strong alliances and certifications with leading technology partners worldwide and a service philosophy based on excellence. The Company has more than 25 years of experience and recognition in the market and aspires to provide the highest standards of services to the most relevant corporations and companies in the Mexican economy. The focus on the enterprise segment differentiates Axtel from other telecommunications companies in Mexico and its experience in providing ICT value added services to such segment gives it a competitive advantage.

- *Neutral operator with the second largest fiber network in Mexico.*

Axtel has an extensive, cutting-edge network integrated by high-capacity fiber optic lines and wireless spectrum concessions. Its hybrid fixed local network structure (wired and wireless) allows it to penetrate new markets quickly and effectively, increasing the revenue base profitably. It has the capacity to provide coverage in 76 cities, through its network, composed of approximately 50,800 km of fiber optics, including approximately 23,800 km of long-distance network and 27,000 km of metropolitan network. The metropolitan fiber network offers a unique proposal thanks to its wide coverage and capillarity, especially in very dense areas, such as Mexico City, Monterrey and Guadalajara.

- *Long-term contracts and high renewal rates translate into visibility and sustainability in cash flow.*

A significant proportion of Alestra (approximately 89% of revenues in 2023) consists of contracts with recurring monthly revenue. Furthermore, given the nature of the services and the high quality of enterprise clients, Axtel maintains a loyal relationship with clients of stable recurring income. Losses related to bad debt have historically been very low, with a marginal rate of uncollectible accounts.

Furthermore, it has approximately 12 thousand clients, 8 out of 10 large corporations, as well as 90% of financial institutions in Mexico are Axtel customers served under the Alestra brand.

- *Disciplined financial strategy committed to strengthening Axtel's capital structure.*

More than 80% of Axtel's capital investments are for the operation and directly related to the maintenance or growth of the clients revenue base, since they represent investments in last-mile solutions, managed equipment, integral connectivity solutions, capacity and IT service solutions directly related to specific customer requirements. As a result, these investments carry less risk, with relatively more predictable returns. This provides the Company with significant visibility into revenues derived from such investments.

2.2.3) Business Strategy

The Company's strategic goal is to be the main enabler of digital transformation and to be the world-class leading operator of fiber optic networks in Mexico. The key elements to carry out the business strategy are the following:

(i) Accelerate the market share through a horizontal differentiation in business lines, with vertical focus in selected industries by means of a highly specialized and close to the clients model.

In the Enterprise segment, through its brand Alestra, Axtel is positioned to capitalize on the growing demand for the adoption ICT services, as they become a key element in the technological evolution and productivity of its clients, from small to large corporations. Axtel focuses its efforts on strengthening its skills through its highly-specialized commercial model consolidated in four business lines: Telecommunications (connectivity, managed networks, collaboration), Information Technology (system integration, cloud), Cybersecurity and Mobility.

This consolidation and focus, both reflect the constant search for specialization and innovation to stand out in the market and provide its clients with agile and close attention, aiming to grow customer loyalty through a greater satisfaction in the services provided.

Based on this new model, Axtel integrated an organization aligned horizontally with the business lines and vertically with target industries, which will allow it to maximize operational efficiency and accelerate the positive growth trend, above the market; to achieve a target market share in three verticals or selected industries in the first stage: financial, commerce and transportation; and an additional vertical, manufacturing, in a second stage. To achieve this, through its business model, Axtel develops specific products and use cases in each line of business, addressing the digital transformation needs of its clients with solutions adapted to their type of business, and which allows it to support them in their digitalization.

(ii) Leverage its strong connectivity capacity, strategic alliances and business customer base to add new digital transformation solutions or explore new opportunities.

Axtel serves a sophisticated customer base with rigorous service requirements, which values quality, reliability, agility and incurs significant costs and risks in changing IT and telecommunications providers. As such, Axtel believes that its customer base provides a stable source of income through long-term business relationships and contracts.

Seeking to capitalize on this solid customer base and transversal synergies, Axtel has an up-sell strategy, that is: selling more services within the same business line and cross-selling, and selling services from other business lines, at its base of more than 11 thousand business clients and around 200 clients in the government sector.

(iii) Expand its market with innovative solutions such as its mobility solution "Alestra Móvil" and greater government customer base, both federal and state.

Axtel launched its Alestra Móvil service in 2021; first mobile phone offer focused on the enterprise segment in Mexico, seeking to enable companies to bring their fixed capacities to a mobile device; as well as enable third-party mobile projects through its MVNe platform (for its acronym, Mobile Virtual Network Enabler). Alestra Móvil has a high availability multi-operator network, three levels of security, professional tools and applications, self-management and more.

Conversely, in the government segment, since 2021, Axtel has a new organization and redesigned strategy, on which it focused on increasing the presence, relationship and opportunities with local and federal governments; expand reach, in collaboration with strategic suppliers and manufacturers; as well as expanding specialized services in the segment.

This strategy allowed a 22% growth in the segment's income in 2023, achieving the total renewal of all contracts in the year. Going forward, Axtel will continue to emphasize the balance between federal and local entities, obtaining new certifications and alliances with strategic partners to participate in the bidding processes.

(iv) *Increase the coverage and capillarity of the fiber network in strategic regions, becoming the main connectivity* *provider for international operators, mobile networks and data centers.*

Axtel serves approximately 60 wholesale customers, including leading global and national fixed operators and seeks to be the main supplier of international operators, mobile operators and data centers in Mexico with its wide coverage. Axtel has few solid competitors in the wholesale segment and others that are restricted by limited or geographically specialized networks.

Axtel is the largest neutral infrastructure provider in the country and has the second largest fiber optic network in Mexico focused in the enterprise and wholesale segment. Its metropolitan fiber network offers a unique proposal in the market due to its wide coverage and high capillarity, especially in high-density areas in the most important business areas of Mexico. Its robust network has redundant and diversified routes that provide high reliability, making it well-positioned to address the attractive opportunities for fiber-to-the-tower and fiber-to-datacenter services from mobile network deployment of new generation 5G and the construction of new data centers in Mexico.

Taking advantage of nearshoring opportunities, Axtel will continue making investments to deploy network coverage in industrial parks, data centers, metropolitan rings and expansion in growing cities. In 2023, the Company successfully completed certification testing for coherent optical transport technology, allowing it to achieve speeds of up to 400 gigabytes per second (Gbps) directly on its data network, even over long distances. In addition, it strengthened its optical network platforms and capabilities to meet the current demand driven by e-commerce, cloud connection, data centers, supply chain, among others; achieving optical transmission channels of up to 1.2 terabytes per second (Tbps) in the transport network.

(v) Improve efficiency and margins through the digitalization of processes and operations.

At Axtel, for the enterprise and government segment, the portfolio of solutions has been optimized, increasing profitability. Processes for each of the business lines continue to be standardized, improving efficiency, agility and experience and response times to the clients.

Axtel Networks brought the operation of the application programming interface (API) under the MEF standard, a leading global association for the network, cloud and technology providers industry. The APIs allow international operators to request Axtel Networks in an automated way the feasibility, quoting and ordering of last-mile access services, being the first operator in Mexico that operates under these standards.

Axtel seeks to automate more and more processes and operator-to-operator interactions; with agile, simplified and standardized systems. On the other hand, it will focus on migrating the accesses currently provided by third parties to its own network. These efforts will allow it to increase its margin.

(vi) Create a culture of empowerment and talent development.

Based on the new commercial model, Axtel integrated a lean, agile and collaborative organization, aligned horizontally with the business lines and vertically with target industries through the creation of use cases by industry, covering pre-sales, product, design, delivery and customer service.

Furthermore, UniAlestra is Axtel's educational institution to develop competences in the human capital to contribute to the digital transformation in organizations. Through its academic offer of 8 post-graduate programs in unschooled modality with official recognition from the Ministry of Education (SEP) in the areas of: Digital Transformation, Cybersecurity, Customer Experience and Information Technology; offering them to Axtel employees under an Internal Development Plan and with a 100% scholarship scheme. In 2023, 2 educational programs were opened for 33 employees of Axtel from different levels, programs were in the areas of Digital Transformation and Cybersecurity with the support of 15 tutors from executive level positions with extensive experience who share their knowledge in each course.

2.3) Business Activity

Axtel is a Mexican company that accompanies its clients in the evolution process towards digital innovation for their organizations; and in the creation of communication networks, providing services through its two brands: Axtel Networks, which serves wholesale infrastructure clients, and Alestra, which serves the enterprise and government segments.

The products and services offered by the Company are, among others:

alestra				axnet AXTEL NETWORKS
Customers: Enterprise and Government segment				**Customers: Mobile and Fixed Operators** (national and international) internet giants, data centers, towers operators.
TELECOM	***TI***	***CYBERSECURITY***	***MOBILITY***	
CONECTIVITY *Data* *Internet* *-Dedicated* *-Broadband* *Ethernet* *VPN* **MANAGED NETWORKS** *SDWAN* *LAN* *WIFI* **COLLABORATION** *Unified communications* *Integral Videoconference*	**SYSTEM INTEGRATION** *System integration* *DRP business continuity* **CLOUD** *Infrastructure as a service* *Applications as a service* *Hybrid cloud (Multi-cloud)* *Digitalization and IoT*	**CYBERSECURITY** *Perimeter* *Endpoint* *From/to the cloud* *Managed IT security and networks* **CONSULTING**	**MULTI-OPERATOR MOBILE SERVICE** *Virtual Mobile Operator (VMO)* *Voice and Data* *IoT – Internet of Things*	**CONNECTIVITY** *Last-mile access* *Long-distance Transport ("Long-Haul")* *Fiber (dark and lit)* *Fiber to the tower* *Fiber to the data center* *IP Transit* *Dedicated Internet* *Spectrum* *Colocation*

The services offered by the Company do not present a cyclical or seasonal behavior. On the other hand, the services that represent more than 10% of total consolidated revenues are:

2023:
Internet services for a total of Ps. $2,935 million or 27% of total consolidated revenues.

2022:
Internet services for a total of Ps. $2,773 million or 26% of total consolidated revenues.

2021:
Internet services for a total of Ps. $2,672 million, equivalent to 23% of total revenues and last-mile access services for wholesale customers of Axnet for a total of Ps. $1,241 million, equivalent to 11% of total consolidated revenues.

Infrastructure Unit (Axtel Networks)

Axtel Networks (Axnet) offers world class infrastructure solutions through its long-distance fiber optics and spectrum network to expand the capacity of Carriers, national and international; mobile and data center operators, internet giants, cloud and content providers. Axnet represents the link before its clients reach the final user.

In order to continue as the most important neutral infrastructure operator in Mexico, it is crucial that Axtel Networks' fiber optic network has coverage in all regions of the country.

Axnet provides fiber infrastructure that allows the connection of nodes, optimizing costs and ensuring a world-class performance, such as dark fiber, which gives the advantage of using its own infrastructure. It is a great ally for its clients so that, similarly, they can serve their own clients in a timely manner. Seeking to guarantee operational continuity, it invests in cutting-edge infrastructure that allows it to provide a reliable, continuous, and quality service.

It provides connectivity to the main data centers in Querétaro, with a deployment of 116 km of fiber optics. Likewise, in the last three years it has provided fiber connectivity to the tower (FTTT) with 1,094 km of fiber optics. Also, it grew Ethernet rings in a 11,740 km fiber optics network, with an additional 200 Gbps growth in the Southeast. On the other hand, it has coverage in 894 industrial parks nationwide, covering more than 90% of the market, as well as in 520 business centers in 15 cities. Additionally, it expanded its operational sites, enabling 12 new points of presence.

Currently, it houses 50,800 km of fiber optics, including 23,800 km of transport or long-distance network and 27,000 km of metropolitan rings. It also has spectrum in the 7, 10.5, 15, 23 and 38 GHz bands used for last-mile wireless connectivity and metropolitan coverage for the enterprise segment.

The fiber optics transport network has coverage in all the regions nationwide, providing Ethernet access to 76 cities, delivering to the most important fixed and mobile operators connectivity solutions. The Metropolitan network offers a high-density coverage in the most important business regions in Mexico, allowing connectivity for enterprises, mobile phone sites and data centers.

Some of the solutions developed to meet the needs of the wholesale segment served by Axnet are described below:

Connectivity:

Last-mile access

Connectivity solutions used by operators to interconnect the locations of their end customers. Fiber optic and digital radio technologies are used to provide links.

Long Distance Transport "Long-Haul"

Links used by operators to interconnect their network nodes located in different cities. The services are offered in different capacities according to the specific needs of the operator.

IP Transit / Dedicated Internet

Service offered to operators and data centers to obtain access to the international internet cloud, which is generally offered in high capacities. Dedicated Internet comprises the internet service used by operators to offer internet to specific locations of their end customers.

Fiber to the Tower

Fiber optic connectivity solutions used by mobile operators to interconnect their mobile sites to their main network, generally requiring high capacity to support data demand.

Fiber to the Data Centers

Fiber optic connectivity solutions used by data centers to interconnect their locations either in Mexico or abroad, generally requiring high capacity to support traffic between locations.

Colocation

Physical space provided within Axtel facilities where operators can install their owned equipment. The service includes the physical space, electricity, air-conditioning, cross-connections and specialized technical support, which can be provided in Axtel's network points of presence or Data Centers.

Spectrum

Includes the rental service for spectrum channels, which will generally be used by operators to establish links through digital radio; offered in the 7, 10.5, 15, 23 and 38 Ghz bands.

Enterprise and Government Segment (Alestra)

As an ally in digital evolution, Alestra provides advanced Information and Communication Technology solutions (ICT) to more than 11,000 government and enterprise clients from different sectors, which are based on the use of managed network tools, collaboration, cybersecurity, cloud and systems integration, mobility, digital transformation and connectivity. Through the service lines, it provides highly specialized and close attention to its clients.

Alestra has created a series of comprehensive solutions, key to the optimal performance of its clients. Among them stands out:

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 its current network.

Alestra Móvil. The first business mobile phone offer. Unique for its highly available multi-operator network, three levels of security, professional tools and applications, self-management and more.

Secure Cloud. A managed solution, designed to offer visibility of workloads, governance, compliance, management and knowledge of the security posture of their clients, to reduce the opportunities for cybercriminals.

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

Blitz Architecture. Strategy of technological modernization. Designed to migrate from a current environment, towards a more robust platform that accelerates the digital transformation of organizations.

Solutions by industry: commerce and manufacturing that seek to boost the business of Alestra's clients from both sectors, integrating solutions for their needs. They integrate key technologies to boost productivity and goal achievement.

As of the specialization initiative in 2023, Axtel has generated use cases, being able to combine various services and technologies that allow it to provide comprehensive solutions to its clients. As a result, today it has 23 use cases based on solutions that have been successful in addressing the needs and interests of its stakeholders. Therefore, the company's knowledge and experience are seized and set into motion.

In 2023, in the Cybersecurity line, Alestra transformed its portfolio and value offer to its clients, evolving from solutions handled by the Security Operation Center to a new generation Cyber Defense Operations Center, with the goal of providing more advanced solutions against the constantly changing ecosystem of threats and risks, emphasizing proactive detection, response, intelligence and services automation. Likewise, it received recognition from Fortinet as the Growth Partner of the year for Latin America.

Regarding the Telecommunications line, it focused its commercial strategy on the development of a consultative practice through Solutions Specialists; expand service coverage to take advantage of the “nearshoring” trend, as well as develop new capabilities for specific market segments such as Contact Centers where trends such as Artificial Intelligence are key to boosting business productivity. During the year, new connections to the Google and AWS clouds were enabled, and the Zoom Cloud service for collaboration solutions was introduced.

For the Information Technology line, we continued closely working with the clients' systems managers to support them in defining their IT strategy. As part of the evolution of Axtel's operational practices, the IT Service Management Center continued digitalizing its operational processes through robot software and applications generating productivity equivalent to hundreds of man hours; which is transferred to its clients in terms of Services efficiency, quality and proactivity. A new “Data Analytics” service was released, with which it supports its clients to venture into the new trends of artificial intelligence applied in data analysis that allows them to predict behaviors and make timely business decisions. In the year, Alestra was recognized by Equinix as Americas Emerging Partner 2022 due to the innovative value it delivered to its clients' businesses through cloud-based digital infrastructure solutions.

Derived from current challenges and risks, it is essential that companies have effective IT support that solves technology-related problems, such as hardware, software, networks and devices. Axtel has the Comprehensive Management Center for Services, Infrastructure and Applications, also known as HOC (Holistic Operation Center).

The HOC effectively integrates functions, processes, tools and people from its different operational centers, with the purpose of offering technology, operation and administration for a diverse range of solutions, equipment, infrastructure and network, among others.

These solutions are offered to a wide variety of clients, which is why they classify the sectors they serve into two markets: enterprise and government.

Enterprise segment:

Alestra contributes to the digital transformation of companies from various sectors by providing them with access to technology-driven business opportunities. Through an increasingly more specific portfolio, provides solutions to the enterprise segment allowing it to improve its efficiency, productivity and competitiveness, and make it resilient to market changes.

Through Alestra, more than 11,000 enterprise clients are reached in 4 regions: North, West/Bajío, Center/South and Southeast. Clients belong to different industries such as finance, commerce, manufacturing, logistics, services, among others.

Alestra always considers the needs and interests of its clients to offer a personalized approach in order to achieve their objectives through technology.

Government segment:

Alestra seeks to improve citizen trust in digital services through democratization and through its services.

With a strong commitment to the needs of the Mexican population, Alestra contributes to make sure that the public sector has the best technology. For this, it designs ICT solutions focused on the specific needs of local and federal governments.

This year it focused on designing a long-term transformation plan that meets the needs of its clients in the public sector to face the challenges of 2024.

Derived from its commercial strategy for the public sector, in 2023 significant progress was made: in addition to achieving the renewal of all contracts, it grew and consolidated the commercial team, it approached to 25 new federal agencies and 10 additional states; and strengthen the relationship with various institutions.

Axtel participated in the development of the network and infrastructure for the federal and state governments, which allows it to contribute to the commitment regarding access to information, transparency, and decent and quality services to citizens.

It constantly implements strategies for advanced connectivity services, cybersecurity, managed services and a portfolio of cloud-based products, among others, with the aim of making government processes more agile.

Axtel supported the design of a comprehensive public transportation 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, with the following benefits: Buses Modernization, waiting-time reduction, better service to citizens, increase in routes and digitalization of services.

Axtel has more than 100 services, which has allowed it to have great market penetration in terms of number of accounts. To differentiating itself, it divided its portfolio into four business lines: Telecom, IT, cybersecurity and mobility. For each one, it focuses on having service specialists allowing it to reach customers at a broader level of specialization.

Telecommunications (Telecom):

Connectivity and network

- Data: direct access or last mile access and digital private lines with national or international reach.
- Internet: Alestra has a broad portfolio of dedicated internet solutions, from 1 Mbps links to high-capacity connections of up to 10 Gbps. In addition, it offers protection for the internet link against cyber threats through mechanisms called Clean Pipes. It also offers internet on demand, which offers high-capacity links with rates that vary depending on the requested use.

- Alestra has a wide portfolio of network connectivity solutions that allow customers to connect their offices point-to-point or point-multipoint either nationally or internationally. In the family of network connectivity services are VPN and Ethernet. All these options allow the secure transmission of voice, data or video information simultaneously.

Managed Networks

Alestra has a portfolio of managed network solutions, where its clients receive the following benefits through a monthly rent for the equipment: design, implementation, support, maintenance, operation and administration of the equipment. Some of the services offered as managed networks include managed Wi-Fi, Managed Lan, and the new SDWan technology that integrates software-based telecommunications.

Collaboration

With this type of solutions, the integration of various communication tools is sought to allow people to interact and collaborate more effectively and efficiently, facilitating the administration and integration of various communication channels of voice, data, video, networks, systems and business applications. Some of the services that integrate the communication solutions are:

- Videoconferencing services that facilitate collaboration between geographically dispersed rooms and/or people, providing flexibility and connectivity coverage.
- Unified communications solutions that allow the use of video, instant messaging, voice, mobility and applications to collaborate in work teams; as well as applications for call-centers, which are accessed through the cloud so that the client does not have to invest in the equipment.
- Conference Solutions which allow voice communication between a group of people who can safely share content and interact with the information.
- Cloud solutions that allow collaboration through new workspaces that allow to work from anywhere and on any device.
- Solutions that enable the hybrid working model so that people in offices and remotely located can collaborate efficiently and productively.

Information Technology (IT):

System Integration

Delivery of customized solutions for special information technology projects that integrate infrastructure, applications, connectivity, security and management of several different technologies and manufacturers in a holistic model where Alestra becomes the single point of contact for its customers. This service includes mission critical solutions such as DRP (Disaster Recovery Plan), high availability platforms, private and hybrid clouds and migration of environments.

Cloud

Axtel offers the latest technology through cloud access, which includes infrastructure, software, applications, technical support and solutions, which offer unlimited capacity, universal accessibility, flexibility and savings by not having to investing in equipment. This supported by the security and availability of data centers, whose mission is to ensure that information and applications are available anywhere and under any circumstances. These solutions include, among others:

- Services that offer virtual or physical servers in a rental scheme.
- Services of containers, serverless and new generation applications development environments.
- Services that offer the customer the option to acquire on-demand computing resources, flexible server configurations, RAM and information storage.
- Access to ERP (Enterprise Resource Planning) “All in One” version of SAP and S4 HANA, across a cloud service scheme that allows the customer to obtain savings by not having to purchase said system.
- Comprehensive infrastructure management services that include the design, implementation and operation of complex computing solutions in high availability environments prepared to handle natural disasters (“DRP”).
- Corporate e-mail, a platform that offer customers personalized and accessible e-mail addresses from fixed and mobile devices.
- Generation of server backups in a fast way that allows the assurance of information through a platform available under a “as a service” scheme.
- Storage as a service for hosting and the execution of applications under an “on demand” scheme.
- Cloud Backup for secure, periodic and automated backups.
- Virtual desktops to remotely access your desktop and applications from any device.
- Public Cloud Services (Iaas, PaaS, SaaS) based on the largest global public clouds in a managed service format.
- Cloud consulting and environment migration services. Service that offers to promote the use of public clouds by taking advantage of new trends in application creation, migration and adoption of the cloud, application coding tools, among others.
- Hybrid cloud solutions combining functions from public clouds outside of Mexico, including the building of dedicated links to guarantee the security and efficiency of the solutions.

- Help Desk Service, which is a single point of contact for end users that manages incidents, requirements and problems related to IT services.
- Application Management: solutions that provide specialized management of IT services accompanied by a complete operational model of monitoring and management based on the best practices in the industry. In this solution, clients delegate the operation of their critical applications in a way that they are provided with an outsourcing service for operation, monitoring, incident management, problems and changes of business applications such as an ERP, CRM, databases, among others.
- Processes Digitalization: Are robot applications, including software (RPA), that offer to automate repetitive tasks of processes.
- Site Supervision and Management (IoT): Is a service that offers real-time monitoring of all objects or people located at a site, warehouse, factory, load truck, among others. The platform offers real-time location as well as alarms and analytical tools.

Cybersecurity:

Cybersecurity

The cybersecurity portfolio provides solutions that protect computer equipment, networks and systems from threats and attacks by providing, operating, managing and monitoring the entire information security infrastructure the client requires.

Others

Some associated services include Vulnerability Analysis that offers a diagnosis of the level of exposure the critical infrastructure of a network has in the event of an attack that would affect its operation. Security Consulting, Managed Intrusion Detection and Prevention Services, Managed Web Filtering and Firewall Services, designed for businesses requiring controlled web access, comprehensive multi-layer protection and all-in-one security that controls, detects, mitigates, monitors and provides secure perimeter access. The service is offered through the Security Operation Center (SOC), where the security of services is monitored 7x24, as well as threats worldwide so that preventive actions can be taken to safeguard customers' information.

Alestra Móvil:

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

One of the main features of Alestra Móvil is Enterprise Mobility Management (EMM), which helps companies to completely manage the mobility cycle of their organization whenever they need it and from anywhere. Promoting operational control and decision-making from a single platform, so that companies can manage and configure with complete autonomy the security levels of their applications, tools and devices of their employees in accordance with their mobility policies.

Additionally, responding to the teams' need to make collaboration more efficient and immediate, and under a secure encryption environment, in alliance with Airbus SLC Mexico, Axtel developed Alta Seguridad Agnet 500, a critical collaboration mobile platform that allows group communications more efficient, safe and reliable. Alta Seguridad Agnet 500 offers smarter devices through its push-to-talk functionality, allowing a simple and intuitive user interface. From their smartphones, users can press a button and talk, send multimedia messages or even live videos, encrypted end-to-end to their group through different broadband ranges: 3G, 4G (LTE) and WiFi.

Alestra Móvil is a mobile voice and data service with important differentiators:

- Unique mobile platform supported by a Multi-operator network

- Offer of professional applications
- Three-level security
- 24/7 management
- Wide range of à la carte solutions
- 360 shielding with device, connection and content protection
- Management tool for devices and applications with autonomy capacity

2.4) Advertising and Sales

To promote products and services in the enterprise and government segments, the Company through the Alestra brand, uses a variety of communication and commercial tools, among which are the launch events for new products, publications in specialized magazines and social media, experience centers or "Centro Sperto", virtual and physical visits to experience centers of its partners, participation in forums, online communication and direct promotion with the support of presentations and tools.

For the wholesale and operators' market, the Company through the Axtel Networks brand, participates in the main national and international industry events in order to promote the portfolio of solutions and establish closer relationships with customers and prospects.

To promote products and services in the enterprise and government segments, the Company through the Alestra brand, uses a variety of communication and commercial tools, among which are the launch events for new products, publications in specialized magazines and social media, experience centers or "Centro Sperto", virtual and physical visits to experience centers of its partners, participation in forums, online communication and direct promotion with the support of presentations and tools.

For the wholesale and operators' market, the Company through the Axtel Networks brand, participates in the main national and international industry events in order to promote the portfolio of solutions and establish closer relationships with customers and prospects.

2.4.1) Sales Channels and Strategies

Advertising campaigns are complemented by sales objectives aimed at specific market segments using various sales channels.

Axtel's enterprise segment model is based on sales regional teams that include a Sales Consultant, a Strategic Services Commercial Specialist, a Customer Service Representative, a Solution Design Engineer and a Service Delivery Representative. Accounts are grouped into categories depending on the revenues and/or business potential of the customer. Resources are allocated according to the block prioritization scheme described in the below diagram. Sales Consultants can be either Axtel employees or ICT Indirect Channel Integrator representatives.

Category	Segment	Channel
Premier Experience	Enterprise Customers and Middle Market	Sales Consultants Indirect Channels
Premier Plus Experience	Enterprise Customers with Managed Services	
Select Experience	High-value Corporates with complex network and services	Sales Consultants
Black Experience	TOP Corporate, Enterprise, Financial and Government	Customer service representative

Alestra has three experience centers, called Centro Sperto, located in the cities of Monterrey, Mexico City and Querétaro. The purpose of these centers is to show clients the cutting-edge technological solutions of the service families, in an experiential way. The centers have more than 50 solutions to show, through demonstrations, the Alestra's technological scope.

In 2023, Centro Sperto reopened its center located in Monterrey, where media, enterprise clients, from the financial and government sector participated, to show Axtel solutions through experiences aligned to verticals.

During 2023, Centro Sperto launched the following initiatives:

- Experiences focused on the verticals of retail, government, manufacturing and cybersecurity, where, through storytelling, lead the client to learn about technological solutions and promote digital transformation.
- Proactive Sperto, personalization of the Experience Center according to customer needs.
- Virtual Operational Tours, which are guided directly by the experts in Cyber Defense Center (CDC), Data Centers, IT Services Attention Center (CASTI) and Network Operation Center (NOC), allowing an interactive experience.

2.4.2) Client Experience

Commitment to customer service as an element that distinguishes Axtel in the market, technology was developed to achieve efficient response times and improve the experience of its internal and external customers.

To service all its clients and assure the best service, Axtel offers *Alestra One Touch,* an auto service portal available online 24 hours / 7 days a week, so that they can upload technical and administrative requests and find out their status, as well as information of accounts balance, invoices, payment complements, active services and orders in progress.

Alestra One Touch Offer

- High quality and reliable technical support to ensure that customer issues are resolved quickly and effectively.
- Administrative requirements with which principal requests can be created in a simple way.
- Alebot, its artificial intelligence tool that helps to obtain quick answers to questions and resolve incidents efficiently
- Currently more than 7,000 clients are registered and interact on Alestra One Touch.

During the year, Axtel implemented new initiatives, such as the new bandwidth section that allows the customer to change the bandwidth in dedicated internet and VPN services; and Alebot which evolved into a management bot for AOT and WhatsApp.

Active channels for service: Telephone, IVR, AOT, webchat, WhatsApp (self-management and notification), livechat; and mail

Achievements 2023:

- Transaction surveys in the IVR (interactive voice response).
- International 800 numbers for MS homologated in English.
- Late-payment clients receive outstanding debt messages and are advised to contact the collections department.
- Launch for registration, 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 maintenance time-windows and requirements. Alarms and consultation of energy events.
- They migrated Premier email to InConcert to have control of events requests through this channel.

Customer behavior analysis

Every year, Axtel measures the expectations of its customers by segment and their level of satisfaction based on Net Promoter Score (NPS) surveys.

It divides its clients into categories, which likewise are composed of internally assigned categories based on various factors, one highly relevant which is their monthly billing and their medium and long term growth potential.

To give reliability to the results, the official NPS measurement is done through a certified external market research agency. The NPS 2023 results are: 51 Alestra, 90 Axtel Networks, 77 Federal Government market and 86 State Government market

2.4.3) Supply Chain

The main equipment for the provision of services comes from various telecommunications and information technology providers and there is no volatility in prices, however, most of the equipment presents mainly inflationary adjustments on an annual basis.

The equipment is acquired under two criteria: i) for recurring use and high rotation equipment, an inventory is maintained and ii) for specialized equipment for projects tailored to the client, equipment is acquired by event.

In the case of recurring inventory, there are variations in inventories based on expectations of increased consumption, obsolescence, or variation in supplier delivery times; however, its value does not represent a significant impact on working capital. On the other hand, the collection conditions are standard for most clients and only in special cases are additional terms assigned, which are compensated with the payment conditions negotiated with the main suppliers.

The quality and sustainability of the solutions provided by the Company is closely linked to the decisions made in its supply chain. In this regard, Axtel is committed to the sustainability, which is why it stablishes clear expectations with suppliers, in line with policies, requirements and evaluations that cover environmental, social and governance matters (ESG).

These expectations, as well as the expected behavior of Axtel with its suppliers and vice versa, are reflected in its Code of Ethics for Suppliers, which works as an essential tool for building a sustainable supply chain. This code adheres to legislation and national and international standards, providing an action framework and commitment for suppliers that wish to maintain a commercial relationship with Axtel.

In the selection processes, all suppliers are informed about the Supplier Selection Policy, in addition to the anti-corruption policy and procedure, and the Code of Ethics for Suppliers.

Additionally, to ensure that critical suppliers are aligned with Axtel's values and practices, it implemented a detailed questionnaire that covers a wide range of ESG topics; from sustainability policies, environmental impact management and labor practices, to health and safety in the workplace; it is expected to be completed by all critical suppliers.

These measures ensure that Axtel and its suppliers not only comply with Official Mexican Standards, legislation and provisions of official organizations 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 suppliers must promote and comply with ethical, safety and hygiene, social and environmental matters.

Supply chain management

Axtel's supply chain management is a strategic activity focused on guaranteeing business continuity.

The company interacts with its suppliers based on policies, requirements and evaluations that consider ESG matters that are relevant to Axtel and its stakeholders. This also includes compliance with municipal, state and federal regulations in Mexico, as well as the provisions established by international organizations.

Currently, 100% of its suppliers recognize Axtel's level of commitment to ESG matters to the requirement of compliance with the Code of Ethics for Suppliers, as well as the applicable policies and procedures regarding anti-corruption.

In order to ensure that its suppliers adhere to the Code of Ethics for Suppliers, during 2023 Axtel began the Supplier ESG Program, for which it sent evaluations to 83% of its critical suppliers, the evaluation contemplates matters related to the governance of safety and hygiene, social and environmental, that work as a basis to carry out evaluations and to validate and review adherence of its suppliers to ESG issues that are relevant to Axtel and its stakeholders.

In the interest of promoting the local economy, the company carried out most of its transactions with local suppliers. In 2023, from the total suppliers with which it operated, 54 were local and 58 were from outside the country.

Axtel promotes the development and the economy of the country by purchasing products and services from Mexican companies. The expenditure allocated to suppliers was 10% foreign and 90% national. Likewise, the proportion of expenses allocated to suppliers according to their criticality was 26% critical and 74% non-critical.

During 2023, Axtel evaluated 42% of its critical suppliers according to environmental and social criteria.

As a result of this evaluation, Axtel did not identify suppliers with risk situations or non-compliance with its supplier code of ethics, especially in cases of human, environmental and social rights within its value chain.

2.5) <u>Patents, Licenses, Trademarks, other Contracts and Certifications</u>

2.5.1) Company’s Concessions

Background:

- In 2016 Axtel S.A.B. acquired a single concession title for commercial use, the result of the merger between Axtel and Alestra; subsequently, as part of the company's restructuring between 2018 and 2020, Axtel obtained different radio spectrum titles by assignment, as shown below.
- At the end of 2020, the Company began mobile service operations through Alestra Servicios Móviles; reference offers were made with Telcel to provide Mobile Telephone service under the figure of Full Virtual Mobile Operator (*“OMVC”*); this agreement allows interconnection with all mobile and fixed operators.
- In 2023, Alestra Innovación digital transferred the rights of the sole concession of which it was the holder to Axe Redes e Infraestructura (ARI), which was originally granted to B. TEL, S.A. DE C.V., as a public telecommunications network concession, ARI will focus on the deployment of FTTH infrastructure for the residential and SME market. In the same transfer act, the telecommunications users of Alestra Innovación Digital became part of AXTEL SAB. In addition, in this same act, AXTEL merges AID, thus obtaining the AID users and the title for the exploitation of the seabed in Tulum and Cancun.

About the concessions:

Axtel, Alestra Servicios Móviles and ARI (hereinafter collectively known as “Axtel”), hold certain concession titles granted by the Federal Government; single concession titles for commercial use have a duration of 30 years and spectrum concessions have a duration of 20 years. These spectrum concession titles allow the Company to provide the following telecommunications services nationwide:

a. landline telephone service;
b. fixed internet service;
c. mobile phone service;
d. mobile internet services;
e. mobile messaging services (SMS);
f. radio spectrum capacity leasing services (microwave links);
g. dedicated link services;
h. added value services;

In addition, the company can provide value-added services, cybersecurity, OTT video, audio conferencing, digital transformation services, and data center services.

Axtel, Alestra Servicios Móviles and ARI have a Single Concession for commercial use, confers the right to provide in a convergent manner all kinds of public telecommunications and/or broadcasting services, which simplifies administrative procedures for compliance of obligations and generates economic savings, for example: payment of rights, payment of bonds, among others. The concessions are valid for 30 years and may be extended for up to equal periods, as long as they are requested in a timely manner.

Nevertheless, prior to commencing operations of any public telecommunication service that is technically feasible, operators must request the *Instituto Federal de Telecomunicaciones* (“*IFT*”) the inscription in the Public Registry of Concessions.

It should be noted that the concession granted to Ax Redes e Infraestructura (derived from the transfer of AID) is in the process of being extended, since the regulatory framework requires that the extension be requested within the year in which the last fifth of the Concession life.

The following is a summary of the concessions:

AXTEL						
TYPE OF CONCESSION	**COVERAGE**	**AUTHORIZED SERVICES**	**BANDWIDTH**	**TERM (years)**	**START**	**EXPIRATION**
Single Concession for commercial use	National	Any service technically feasible	N/A	30	Jan 29, 2016	Jan 29, 2046
Frequency bands for commercial use	National	Link capacity	7 GHz	20	Aug 2, 2020	Aug 2, 2040
Frequency bands for commercial use	Region 1-9	Link capacity	10 GHz	20	Apr 2, 2018 Sept 29, 2018	Apr 2, 2038 Sept 29, 2038
Frequency bands for commercial use	National	Link capacity	15 GHz	20	June 5, 2018	June 5, 2038
Frequency bands for commercial use	National	Link capacity	23 GHz	20	June 5, 2018	June 5, 2038

Frequency bands for commercial use	Region 1,3,4,6 & 9	Link capacity	38 GHz	20	Jan 26, 2020	Jan 26, 2040
Frequency bands for commercial use	National	Link capacity	7 GHz	20	Aug 2, 2020	Aug 2, 2040
Frequency bands for commercial use	Region 1 & 5	Link capacity	10 GHz	20	Apr 2, 2018	Apr 2, 2038

ALESTRA SERVICIOS MÓVILES)			
Concession Titles	**Services**	**Coverage**	**Term**
Single Concession for Commercial Use	Provision of any telecommunications and / or broadcasting service that is technically feasible.	National	**Duration:** 30 years **Bestowal Date:** Apr-02-2018 **Expiration Date:** Apr-02-2048

AXE REDES E INFRAESTRUCTURA (POSSES A SINGLE CONCESSION FOR COMMERCIAL USE THAT WAS GIVEN BY ALESTRA INNOVACIÓN)			
Concession Titles	**Services**	**Coverage**	**Term**
Single Concession for Commercial Use	Provision of any telecommunications and / or broadcasting service that is technically feasible.	National	**Duration:** 30 years **Bestowal Date:** Nov-08-2000 **Expiration Date:** Nov-08-2030

2.5.2) Main Trademarks

Axtel owns several registered trademarks that are used to market the products and services it offers. Among others, Axtel has the following most important registered trademarks:

TRADEMARK	REGISTRY NUMBER	EXPIRATION	OWNER
AXTEL (blue design)	1,662,025 1,668,824 1,662,026	April 07, 2026	Axtel, S.A.B. de C.V.
Alestra	511,656	November 01, 2025	Axtel, S.A.B. de C.V.
Axtel	584,421	July 13, 2028	Axtel, S.A.B. de C.V.
AXTEL NETWORKS	2,171,990 2,171,991	July 31, 2030	Axtel, S.A.B. de C.V.
AXNET AXTEL NETWORKS	2,171,988 2,171,989	July 31, 2030	Axtel, S.A.B. de C.V.
AXNET	2230367	April 12, 2031	Axtel, S.A.B. de C.V.
HOC HOLISTIC OPERATION CENTER	1284311	December 6, 2031	Axtel, S.A.B. de C.V.
SPYDER PERFORMANCE	1420839	December 8, 2031	Axtel, S.A.B. de C.V.
MDM CLOUD	1344418	August 8, 2032	Axtel, S.A.B. de C.V.

2.5.3) Wholesale Services - Links, infrastructure sharing, unbundling and Interconnection

Axtel has entered into agreements with the Preponderant Economic Agent ("*AEP*") to use services and infrastructure and complement its network, in such way it can provide telecommunications services to end customers in areas where it does not have coverage; the agreements are in force and are updated annually based on the resolutions issued by the IFT for:

- Sharing fix and mobile passive infrastructure (e.g. poles, ducts, rights of way and towers);
- Leasing of dedicated links;
- Resale and unbundling of all the services provided through Telmex's local network;
- Resale of mobile services, voice, data and SMS, as a Mobile Virtual Network Operator (MVNO); and
- Leasing dedicated links from Telmex.

The prices and conditions for these services are the ones established by the IFT for Telmex and Telcel, respectively, and each year they can be modified by the same authority through the filing of the disagreements provided for in the Preponderance Measures and in the Federal Telecommunications Law and Broadcasting, using costing methodologies such as "Avoided Costs" or "Long-Term Incremental Costs" methodologies, depending on the type of service.

At the end of 2023, the Company has renewed the reference offers with Telcel to provide Mobile Telephony service under the figure of Complete Virtual Mobile Operator ("OMVC") and signed an agreement to use the ALTÁN network, while in May of 2021, it signed the agreement in the same sense with AT&T Comunicaciones Digitales, S. de R.L. de C.V.

Axtel has also renewed the agreements related to Infrastructure Sharing, Dedicated Links and Unbundling, which are regulated Offers of Telmex and Red Nacional (the wholesale company created as part of the asymmetric regulation for the provision of wholesale services of the access network).

2.5.4) Technological Certifications

Being part of an industry in constant evolution, being backed by expert certifications and being part of the most complete network of global technology partners in the market, gives Axtel the necessary strength to offer its customers a complete portfolio of technological and avant-garde solutions.

Management Systems:

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

Best Practices:

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

Partners Certifications:

- Audio Codes Gold Partner
- Avaya Diamond Partner
- AWS, EC2 for Windows
- AWS, Public Sector
- AWS, SAP Services Competency
- AWS, Solution Provider
- AWS, Advance Consulting Partner
- AWS, Select Direct Connect Service
- Check Point, (CCSP) Support Provider
- Check Point, CloudGuard Partner
- Check Point, Harmony Partner
- Checkp Point, SMB- Small and Medium Business Partner
- Checkpoint, Four Stars Partner
- CISCO, Gold Integrator
- CISCO, Gold Provider
- Forescout, Nivel GOLD Partner
- Fortinet, MSSP Expert Partner
- HPE Silver Service Provider
- Huawei, Enterprise Partner VAP
- Huawei, Four Stars Partner
- Huawei, Value Added Partner
- IBM Partner Plus, SILVER
- Microsoft, Gold Cloud Platform
- Microsoft, Gold Cloud Productivity
- Microsoft, Gold Partner
- Microsoft, Hosting Partner
- Nutanix, Champion Reseller
- Oracle, OPN Member, License & Hardware / Cloud Solution Provider
- Palo Alto Networks, MSSP Platinum Innovator Partner

- 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
- 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
- VMWare Cloud Verified
- Zoom Performance Partner

On the other hand, the Company acquired the following awards on behalf of its partners:

Fortinet

- Growth Partner of the Year
- Marketing Partner of the Year LATAM Winner 2023

Equinix

- Americas Emerging Partner

Veritas

- Top Growth Business Partner LATAM

In 2023, the investment in the development of technological skills in Axtel's specialized personnel amounted to more than Ps. 8.5 million, an investment that allows having trained personnel in more than 200 certifications from strategic manufacturers for Axtel, such as Amazon Web Services, Assure, Avaya, Checkpoint, CISCO, ECCouncil, Fortinet, ISACA, ISC, ISO, ITIL, Microsoft, Nutanix, Oracle , Palo Alto, PMP, SCRUM, Six Sigma and Kanban, among others, with an equivalent of 8,000 hours of training. Likewise, in 2023 certain collaborators obtained 25 certifications in different areas such as Public Cloud, SAP and Artificial Intelligence.

2.6) Information Security

Axtel considers it is extremely important to protect its services, as well as the confidentiality of the information it manages. For this, it has an Information Security Management System whose main objective is to maintain the integrity and confidentiality of the information.

Framework and information security processes

- Cybersecurity culture: awareness and training for employees
- Cyber resilience: risk management and business continuity
- Cyber defense: management of vulnerabilities, identities and access; technical compliance
- Incidents response
- Security Architecture
- Security by design
- Revisions: indicators monitoring, audits, certifications and *pentest*
- Continuous improvement

The company is governed by the best information security practices defined in different international standards and good practices such as ISO 27001, ISO 22301, ISO 31000, the Service Organization Controls (SOC) for Cybersecurity, the National Institute of Standards and Technology (NIST), FIRST, PCI-DSS and SSAE-18.

To identify the most relevant risks in information security that the company could face and be ready with timely remediation plans, it carries out internal and external reviews, audits, evaluations of vulnerabilities, penetration tests, drills and work meetings with the actors of each business process.

In 2023, Axtel invested US $1.5 million in cybersecurity. Likewise, it made the necessary adjustments to guarantee that the same equipment and procedures that protect Axtel on cybersecurity issues are the same ones that protect customers. Also, a new Chief Information Security Officer (CISO) was appointed and internal attention was reconfigured, achieving a powerful synergy.

To comprehensively manage the organization's cybersecurity, Axtel has the Information Security Committee (CSI) that involves the main areas of the company, which has meetings every three months. In these sessions, the security, information and cyber defense program is reviewed, as well as the training and qualifications provided to employees in this regard. Among the responsibilities of the CSI are to ensure adherence to regulations and to Information Security strategies, to provide business knowledge to protect the confidentiality, integrity and availability of the company's critical information, to make sure that work teams are aware of information security threats, to consciously manage risks and to agree on strategies.

Customer data privacy

Technology is the center of Axtel's operations, it focuses on its development and application, which brings along an increase in regulations associated with the use of data and information, as well as disruptions, opportunities and risks. The Company is committed to the privacy of its clients and stakeholders in general, going beyond simple legal compliance. Its security, confidentiality and privacy processes regarding its clients' personal data are based on a robust culture and practices carried out by its collaborators, which are described in its Privacy and Personal Data Protection Policy. This allows the use of the information to be responsible and ethical. Cybersecurity and data privacy are embedded within the business risk management framework.

Axtel has a department responsible for privacy issues and carries out internal and third-party audits to ensure compliance with its policy. Complies with the provisions of the Federal Law of Personal Data Protection Held by Private Parties for its clients, suppliers, employees and visitors.

To ensure the protection of personal data, it provides its collaborators with courses, internal communication, advertising and reporting mechanisms in case of suspected vulnerability. In addition, it has a technical control regarding the use of systems and hardware to prevent the loss of information.

If there is any activity that could be considered a privacy incident, there is a crisis response mechanism.

Due to the nature of its business, the personal data used in Axtel comes from the holders directly and/or through physical or electronic means, or directly in-person. Likewise, it obtains information from authorized public sources, treating them in accordance with the owner.

Consequently, and based on the commitments to protect the data privacy of its clients, the Company does not transfer sensitive personal, patrimonial or financial data for secondary purposes, only when the owner expresses full consent.

To ensure the privacy of this data, it adopts appropriate physical, technical and organizational security measures, including: data encryption, restricted data access, privacy policies and vulnerability management.

With the same interest, the Company addresses the exercise of ARCO rights (access, rectification, cancellation and opposition), which are available to users in the Privacy Notices of Alestra and Axtel.

During 2023, the Company did not receive complaints for violations of customer privacy, nor for data leaks or data related to personal identifiable information. Following this line, it also did not record monetary losses from legal procedures associated with user privacy.

2.7) Research and Development - Innovation

Axtel's Innovation Model

Axtel focuses on developing innovative services that are accessible to people while satisfying their needs and interests. Innovation drives the company to evolve its internal processes and make them more efficient. It is the engine that allows it to generate differentiated solutions for its clients and stakeholders. It seeks to understand companies' business and its impact throughout activities, leveraged by Axtel's Innovation Model.

From this model, initiatives emerge to facilitate the implementation of innovation to be applied in solutions and services for clients, or within the organization.

Innsight

It is a digital platform for innovation and continuous improvement, where collaborators propose ideas for them to be evaluated to receive resources to allow their implementation. During 2023, Innsight registered a 206 employees participation that generated 34 ideas that contributed to Ps. $79 million, representing 1% of the COGS.

Innovation Hub

It is a physical space where creativity and ideas are structured to develop solutions and is located in the Innovation and Technology Campus (CIT). In the year 2023, 264 meetings were held, achieving a 67% occupation rate; divided by sessions and with internal teams.

2.8) Main Customers

Axtel, under its brand Alestra, has in its portfolio more than 11 thousand enterprise customers, including national and multinational corporations, large and medium-sized companies from the financial sector, retail, education, manufacturing, among others, as well as federal, state and municipal entities and dependencies from the government sector. Axnet has wholesale customers, mobile and fixed operators (national and international) internet giants, data centers and tower operators.

In 2023, the top ten customers represented 23% of the Company's revenues. The two largest customers accounted for 5% and 4% of total sales, respectively. No other customer represented more than 5% of Axtel's total revenues.

2.9) Applicable Legislation and Tax Situation

2.9.1) Applicable Law in the Telecommunications Industry

General

In June 2013, substantial reforms were enacted in the Mexican Constitution to overhaul the Telecommunications industry's regulatory framework; these reforms are detailed in section 2.11.3) Recent reforms in the Mexican telecommunications industry. The telecommunications industry in Mexico is primarily regulated by the LFTR, which became effective on August 13, 2014 and the 2013 Constitutional Reform empowered the IFT with far-reaching authority over the telecommunications and broadcast industries. Additionally, there are several administrative provisions that regulate the industry.

Under the terms of the LFTR, the IFT is responsible for regulating all aspects of the Mexican telecommunications industry, including those related to regulatory, competency, administrative and operating matters. The IFT is an autonomous and public constitutional entity with the purpose of regulating and promoting competition and overseeing the efficient development of the telecommunications and broadcast industries in Mexico. The IFT is responsible for, among other things, the creation of policies and supervision of the use, development and exploitation of the radio spectrum, orbital resources, satellite services, public telecommunications networks, as well as the provision of broadcasting and telecommunication services and regulating access to active and passive infrastructure and other essential resources.

The IFT is the highest authority in telecommunications and has the authority to grant and revoke concessions and permits, including the allocation of spectrum frequencies, granting, transferring, renewing or revoking concessions and establishing interconnection rates and applying penalties for infractions. The IFT makes the final decision on the resolution of these matters and once a final decision is made, its resolutions can only be revoked through injunctive action (*amparo indirecto*), without the possibility of a provisional suspension while the injunction is resolved.

In December 2019, the governments of Mexico, Canada and the United States reached an agreement to renovate the Free Trade Agreement named T-MEC. This agreement considers the main applicable measures in the field of telecommunications in Mexico that are intended to promote healthy competition. On the other hand, various principles to facilitate digital commerce were also included in the agreement, which will encourage the availability of goods and services through information and communication technologies.

Regulatory framework for concessions

As part of the Constitutional Reform of 2013, in the new Federal Telecommunications and Broadcasting Law, the concession regime of the Public Telecommunications Network (RPT) was eliminated, now the "Single Concession" is foreseen as a general framework to provide any telecommunications and broadcasting public services, which has advantages such as:

- Conferring the right to provide all types of public telecommunications and / or broadcasting services if the concessionaire complies with the obligations and tariff payments established by the IFT. If the use of the radio spectrum or orbital resources is required, it must be obtained in accordance with the LFTR and will be granted by the IFT under the applicable concession.
- Allowing the consolidation of all concession titles under the RPT, thus simplifying administrative processes to comply with obligations.
- Requiring the registration of, among others, the concessions granted, authorizations given, and the associated services allowed. Before starting operations in any telecommunications service, the company in question must request the registration of the corresponding concession title in the Public Registry of Concessions.
- An extension of 30 years in the validity of the concession title, with the option of extending in equal terms. Concessions for the use of the radioelectric spectrum or orbital resources are granted with a validity of 20 years, with the option of extending in equal terms.

In accordance with the applicable legislation, there is a possibility to seize assets that make up a public telecommunications network that has been installed and is in operation, however, the power to intercede in security interests is limited, as an authorization of the IFT is required for a third party to acquire rights with respect to the telecommunications network in question.

In addition to concessions in accordance with Article 170 of the LFTR, the IFT also grants authorizations for:

- Establishing and operating a telecommunications service marketer;

- Installing, operating or exploiting ground stations to transmit satellite signals; and
- Installing and operating cross-border telecommunications and satellite systems.

Additionally, authorized marketers will have the authority to:

- Access wholesale services offered by concessionaires; and
- Market their own services or provide telecommunications services as resellers.

Transfer. Concessions are a matter of transfer of rights after the first three years of granting. The IFT must approve this assignment of the concession title if the transferee agrees to comply with the concession obligations.

As an exception, the authorization of the IFT will not be required, in the case of assignment of the concession by merger of companies, splits or corporate restructuring, in accordance that such acts are within the same control group or economic agent. For this purpose, the operation must be notified to the IFT within 30 calendar days following its completion.

Termination. A concession or permit may end in compliance with the LFTR upon the following events:

- Expiration of its term;
- Resignation by the concessionaire;
- Dissolution or bankruptcy of the concessionaire; or
- Revocation by either of the following events:
  - Failure to exercise the rights of the concession within the established term;
  - Perform actions in contravention of applicable law or that affect the rights of other concessionaires;
  - Failure to comply with the obligations or conditions established in the concession title;
  - Refusal to interconnect other concessionaires, partially or totally disrupting or hindering interconnection traffic, without justifiable cause;
  - Failure to comply with the obligation to retransmit television signals of restricted networks, free of charge and on a non-discriminatory basis;
  - Refusing to retransmit broadcast content;
  - Change in the nationality of the concessionaire or initiating action to request protection from a foreign government;
  - Assignment, lease, or transfer of the concession or authorization, the rights conferred by them, or the assets used for the exploitation of the concession or authorization in contravention of applicable law;
  - Failure to pay to the Federal Treasury any amount due as fees owed to the Federal Government;
  - Failure to comply with the basic obligations for granting the concession;
  - Not providing the guarantees or assurances established by the IFT;
  - Changing the location of the broadcast station without prior authorization from the IFT;
  - Change the assigned bandwidth frequencies without authorization from IFT;
  - Suspend, totally or partially, telecommunication services in more than fifty percent of the coverage area without justification and without authorization of the IFT for more than twenty-four hours or up to three calendar days in the case of broadcasting;
  - Failure to comply with resolutions issued by the IFT in conduct cases linked to monopolistic practices;
  - Any case of dominant or preponderant economic agents that benefit directly or indirectly from the free retransmission rule of television signals through other operators;
  - Failure to comply with resolutions or determinations of IFT regarding the accounting, functional or structural separation;

- Failure to comply with the resolutions or determinations of IFT regarding the local network unbundling, divestment of assets, rights or necessary equipment, or asymmetric regulation;
- Use of the concession granted by IFT, for purposes other than those requested, or profit from actions prohibited for the relevant type of concession; or
- Any other provision set forth under applicable law.

The IFT will immediately revoke concessions and authorizations if sections I, III, IV, VII, VIII, X, XII, XIII, XVI and XX mentioned above are violated. In other cases, the IFT may revoke a concession or authorization if it has already sanctioned the concessionaire at least twice, under the issues indicated in these sections, except for the case of section IX.

Rescue. In addition to the above, concessions can also be revoked by rescue. The Mexican Government is empowered by law to permanently terminate any telecommunication concession and claim any related asset for reasons of public interest. Under Mexican law, the Mexican government is obligated to compensate the owner of such assets. The amount of the compensation will be determined by an appraiser. If the party affected by the rescue considers that the compensation is not appropriate, it has the right to initiate a judicial proceeding against the government. In this case, the competent authority will determine the appropriate amount of compensation that must be paid to the party affected by the rescue. So far, Axtel is not aware of any case in which the Mexican Government has expropriated a concession from telecommunications companies. There is uncertainty regarding the terms and the amount paid in compensation.

Temporary seizure. The Mexican Government may temporarily seize all assets related to telecommunications concessions or permits in the event of a natural disaster, war, threats to internal peace, economic reasons or for other reasons related to national security. If the Mexican Government temporarily seizes such assets, except in the event of war, it must indemnify the concession holder for the losses and damages, including lost accrued revenues. Axtel is not aware of any instance in which the Mexican Government has exercised its temporary seizure attributions in connection with a fixed or mobile telecommunications services company.

Rates for telecommunications services. In accordance with the LFTR, rates for telecommunications services (including fixed, local and mobile services) are freely determined by the providers of such services, in terms that allow the provision of services in satisfactory conditions of quality, competitiveness, security, retention and non-discrimination.

In accordance with the LFT, a company must register through the IFT's Electronic Rate Registration System prior to the provision of its services.

In case of disagreement over interconnection tariffs or conditions, the IFT has the authority to determine the requirements in terms of rates, quality and types of services. Additionally, it will apply asymmetric measures to the concessionaires that have been declared as Preponderant Economic Agents and / or with substantial power in the market in accordance with the precepts of the LFTR and other applicable regulations. All tariffs for telecommunications services must be registered with the IFT prior its application.

In March 2014, the IFT declared América Móvil (Telcel) a Preponderant Economic Agent, imposing asymmetric regulation upon them, including measures such as zero mobile termination rates for traffic terminating on their networks, requiring Telcel to allow other service providers to use its infrastructure.

2.9.2) Limitation on Capital Stock Investments by Foreign Shareholders – Foreign Investment Law

The holding of shares by foreigners of Mexican companies in certain sectors is regulated by the Foreign Investment Law and the Regulations of the Foreign Investment Law and the National Registry of Foreign Investments. The

National Commission for Foreign Investment carries out the provisions of the Foreign Investment Law and its Regulations.

By virtue of the Decree by which various provisions of articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Mexican Constitution were amended and added, regarding telecommunications industry dated June 11, 2013 and the Decree by which the Federal Telecommunications and Broadcasting Law and the Public Broadcasting System Law were issued; and various provisions on telecommunications and broadcasting are amended, added and repealed. On July 14, 2014, the restriction was eliminated so that companies in the telecommunications sector allowed the participation of foreigners in their social capital.

As a consequence of the above, the pertinent modifications were made to the CPOs trust agreement as well as to the issuance act formalized on December 1, 2005, to reflect the elimination of the limitations established for foreign holders of Axtel's CPOs, in order to equalize the corporate rights among the holders of CPOs, without distinction as to their nationality.

On March 26, 2018, an Amendment and Re-expression agreement of the Irrevocable Trust Agreement No. 80471 called AXTELCPOs was signed, for the purpose of modifying, among others, the elimination of the restrictions of corporate rights to foreign holders. Therefore, the amendment to the Certificate of Issuance of the CPOs was carried out and was formalized on May 23, 2018, as well as the respective exchange of the CPOs before the Indeval (*S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.*) effected on July 31, 2018.

2.9.3) Income Tax (IT)

The Company is subject to the legislation applicable to variable capital corporations. As of this date, the Company follows all fiscal obligations under its charge and it does not enjoy any specific tax benefit, being a taxpayer of federal and local taxes in accordance with the taxation regimes provided for by the applicable legal provisions. The Company was subject in 2023, 2022 and 2021 to a legal income tax rate of 30%.

2.10) Human Resources

As of December 31, 2023, Axtel had 3,946 employees, of which 146 are on temporary contracts. Axtel does not have unionized personnel. For the years ended December 31, 2022 and 2021, Axtel had 4,083 and 4,237 employees, respectively.

2.11) Environmental, social and corporate governance commitment (ESG)

2.11.1) Principles

Axtel's Sustainability Policy was created and authorized by the Board and the Administration in 2022, in which it was stablished the guidelines that seek the growth of the company, the personal and professional development of employees, as well as the contribution to social development of the communities in Mexico.

Seeking sustainable development for Axtel, various methodologies have been incorporated allowing initiatives to be carried out in favor of sustainability, thanks to this, practices continue to be strengthened and compliance with the policy is monitored.

For 12 years Axtel has been a signatory of the United Nations global compact.

Axtel achieved the 82nd percentile in the S&P CSA evaluation in the global telecommunications industry and obtained the B rating in CDP, which is the Management level.

2.11.2) Structure

In 2023, the ESG Management was established, which aims to ensure compliance with the Sustainability Policy, as well as compliance with the ESG strategy and programs throughout the Company. Since its creation, detailed plans, objectives and specific actions have been established to encourage the incorporation of sustainable practices into the global business strategy.

The ESG Management joins the governance structure previously created in May 2022, which is integrated by the ESG Executive Committee, comprised of the Executive Directors and the CEO as Chairman of the Committee, as well as the Operating Committee whose goal is to monitor, to analyze and to promote initiatives that integrate the Sustainability Policy in all aspects of Axtel.

Additionally, for each initiative related to ESG matters, a functional or operational person in charge is designated, who will conduct its implementation in conjunction with the ESG Management.

2.11.3) ESG Executive and Operational Committee

First resolutions of the committee:

- Establishment of greenhouse gas reduction goals.
- Establishment of goals on gender equality among the company's employees.
- Topics and number of training hours on cybersecurity, ESG and ethics.
- Authorization of main initiatives to be implemented in the following years.
- Measurement of results through the evaluations of the prescribers S&P CSA and CDP.
- Creation of the ESG Management.

The ESG Executive Committee is integrated by the CEO and the Executive Directors.

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

2.11.4) Sustainable integration

Performance on various indicators related to ESG issues is evaluated and rated for those management or senior executives who have direct responsibilities for carrying out initiatives and meeting ESG goals. Furthermore, the fulfillment of certain ESG objectives or actions are considered as the business main objectives, thus tying the variable compensation to the fulfillment or achievement of the stablished ESG objectives.

Annually and within the institutional training program, Axtel provides training to executives and the rest of employees on various ESG topics, in addition to the training on Cybersecurity and how to respond to cyberattacks, which represents one of the main risks for the business.

2.11.5) Sustainability Strategy

It is comprised of five key pillars, compiling significant contributions from all areas of the organization, which are reflected in the most notable actions, programs and impacts related to sustainability. The pillars are: Environmental Awareness, Work Wellbeing, Social Connection, Operational Efficiency and Innovation and Work Culture.

With the Sustainability Strategy, Axtel seeks to contribute to a more sustainable future through comprehensive corporate governance processes, fair labor practices and the responsible use of the environmental resources required to operate. In addition, the risks and opportunities faced as an organization are effectively managed.

This strategy promotes long-term sustainability, integrating an ethical and transparent management, ensuring equitable working conditions, and promoting the sustainable use of resources essential for its operation. It is also committed to the identification and effective management of the inherent risks and opportunities of its business activity.

In search of promoting an evolution towards more sustainable business practices, the Axtel Sustainability plan was created. This plan is reviewed annually by the Board of Directors and the Sustainability Committee, in addition to being presented to the Executive Committee, thus guaranteeing that higher levels of the management are informed about the policies implemented in sustainability. The evolution and achievements in the execution of such plan are evaluated and communicated every quarter.

Likewise, Axtel established 3 specific objectives related to ESG, (i) at least 41% reduction of scope 1 and 2 emissions by the end of 2027 compared to 2020 levels; (ii) increase female representation within Axtel's workforce to at least 30% by the end of 2027; and (iii) increase annual hours of cybersecurity and sustainability training to at least 12.5 hours per employee by the end of 2027.

2.11.6) Materiality

In 2022, Axtel carried out its double materiality analysis following the methodology recommended by the Global Reporting Initiative (GRI) and taking into account the relevant topics for its industry in accordance with the Sustainability Accounting Standards Board (SASB), the requirements of S&P CSA, CDP, MSCI and the SDGs.

An analysis was carried out 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 evaluation of risks regarding material topics based on the impact they could have on the organization and the probability of occurrence.

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

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

2.11.7) Working Environment

Career development and training

Addressing the needs of the workforce in the face of technological evolution, Axtel promotes the growth and professional development of its staff. As part of the commitment in which its staff can achieve their professional and academic goals, it seeks to provide the necessary skills and competencies for current and future challenges.

To achieve this, Axtel provides tools and resources for the professional and continuous development of its collaborators, including internal training programs, online certifications, and peer mentoring.

It renewed its educational agreements and added new ones for the development of its staff. In 2023, the work of the Alestra Technological and Talent Development Institute, also known as UniAlestra, was consolidated; an internal university recognized by the Ministry of Public Education (SEP), which since this year had the capacity to provide certifications and master's degrees with official validity.

Occupational Health and Safety

Axtel is aware that the performance, satisfaction and results of its staff are directly linked to their physical, mental and emotional well-being. Therefore, it is committed to ensuring that each person on its team feels safe at home, in the office and on site.

Based on this commitment, there is the Safety and Hygiene Commission, which represents all staff in order to guarantee safety and health in the company. The commission is responsible for monitoring safety measures, managing potential health crises, inspecting work spaces, and carrying out investigations related to workplace accidents.

In addition, a group of civil protection brigades and a security committee were formed, which allow the necessary follow-up on security measures.

Safety guidelines are fundamental for the identification and evaluation of health, social and environmental risks:

- Tasks and activities are described for each job position.
- The Task Safety Analysis (AST) format is applied to identify risks and classify them based on their probability - consequence.
- A risk matrix is established and evaluated.
- The risk level (control hierarchy) is defined to establish priorities.
- Risk mitigation and control measures are proposed (elimination, prevention and control).

To identify improvements in the health and safety management system, a process, activated when a workplace incident occurs, was developed to prevent future incidents.

a. An incident and/or accident is reported to human resources.
b. A report and investigation form is filled out by the direct boss in conjunction with Health and Safety in the Workplace (SST).
c. The causes and risk factors are detected.
d. Recommendations are given.
e. Control is implemented and monitored, recommendations are oriented to matters of training, work environment, facilities, processes, machinery and/or equipment.

Some of the health care and attention services that Axtel makes available to its collaborators include:

- Advice from the medical department (on site and through Teams)
- Advice on psychological counseling and major medical expenses
- Talks with specialists
- Agreements with laboratories, medical offices and care clinics
- Medical consultation and guidance (cancer, prostate, diabetes)
- COVID-19 vaccination campaigns
- Influenza vaccination campaigns
- Consultation with nutritionist
- Psychological guidance
- Measurement of preventive health indicators (IMSS)
- Voluntary affiliation of family members with cost

For Axtel, prevention, attention and mitigation of risks that may affect the integrity of its personnel is essential.

Axtel maintains a clinical history of personnel who work at heights, promotes an epidemiological medical surveillance program and a program of health information talks given by medical specialists.
Also, it supports the vaccination of its staff against respiratory diseases such as COVID-19 and influenza. It participates in vaccination campaigns in Mexico City and Monterrey, inviting its staff to promote their protection. In 2023, the staff and their families received 1,887 vaccines.

Being aware of the consequences derived from COVID-19 and the immediate and critical needs that must be addressed by its staff and their families, Axtel continues with the 1 Pe$o Vale 2 campaign, which aims to raise funds through voluntary donations. As a sign of its commitment, for every peso that a person from its staff donates, Axtel adds another peso. Currently these needs are met, and there is an important difference compared to when the pandemic began in Mexico.

The commitment to the health of Axtel's staff not only includes preventing accidents, injuries or infections, but also ensuring mental health and a good work environment as established by NOM 035 on Psychosocial Risk Factors at Work.

For this, the Comprehensive Wellbeing strategy was implemented, which it seeks to develop and promote healthy and positive collaborative environments, while avoiding any type of violence, abuse, retaliation and/or discrimination. In addition, it is sought to provide development opportunities and balance between work and personal life for teams in all areas.

In 2023, the online emotional health talks program continued. In this program, staff and their families are invited to participate in sessions taught by a specialist psychologist, where topics such as empathy, stress management, resilience, beliefs and emotion management were addressed.
General and specific courses on health and safety topics are provided annually for employees, depending on their job position.

Understanding prevention as the best method for care, its approach focuses on mitigating the main risks to health and safety at work to which its staff may be exposed. These include work accidents in operational areas in the field, internal plant, warehouse and maintenance, that result from falls from heights, traffic accidents and electrical contacts.

This year, four staff injuries were recorded due to work-related accidents, neck and ankle sprains, injuries to arms and hands due to falls, and minor cuts to hands due to scrapes. No deaths were recorded among the workforce or personnel who are not part of Axtel employees. Likewise, there were no occupational ailments or illnesses in any of the collaborators nor the workers not being part of the staff.

Healthy working environment

Axtel understands that the work environment is an essential part of the development of its people. With this in mind, every two years an organizational climate survey is administered to its staff with the aim of measuring how committed they feel to the company.

In 2022, this survey was carried out inviting the entire workforce; 2,947 people participated.

The result was a commitment level of actively engaged (98%), in line with the parameters of NOM 035.

2.11.8) Nature and Climate

Protection of biodiversity

Axtel is committed to the protection and conservation of the environment, which is reflected in its No Deforestation Commitment.

The critical importance of forests for the ecological balance of the planet, biodiversity and carbon sinks to combat climate change, is recognized. In this line of thought, operational and management practices were implemented that exclude any activity that contributes to deforestation.

There is an effort to minimize its environmental impact through the responsible use of resources, promoting reforestation and the maintenance of green spaces, and collaborating with suppliers and partners that also respect zero deforestation principles.

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

Environmental management

Axtel's Environmental Policy is the document that guides the responsible use and management of resources within the company. This policy covers its productive operations and sites, the services provided, waste management derived from its operation, as well as interactions with suppliers, contractors and other key business allies.

GHG Emissions and Energy Management

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

Axtel's Energy Saving Policy establishes the actions implemented to optimize energy use in accordance with the highest industry standards, which allows to reduce the carbon footprint and greenhouse gas (GHG) emissions.

Shutdown of telephone centrals

To reduce its GHG emissions, Axtel maintains the shutdown of telephone centrals that began in 2020. Its focus is on removing obsolete equipment to reduce electricity consumption and, therefore, its GHG emissions, by recycling and reusing materials and cables.

This measure not only benefits the environment, avoiding the emission of CO2, 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.

- 2021: 13 plants turned off, which represented an economic saving of Ps. $3 million and 553 tons of CO_2e avoided.
- 2022: 1 plant turned off, which represented an economic saving of Ps. $0.19 million and 35 tons of CO_2e avoided. An income of Ps. $4.7 million for the sale of electronics and copper cables.
- 2023: 3 plants turned off that represented an economic saving of Ps. $0.95 million and 148 tons of CO_2e avoided.
  - Network optimization: 9 sites and 11 equipment turned off, which represented 57.037 tons of CO_2e avoided.
  - Shutdown of MW links: 153 MW shut down, which represented an economic saving of Ps. $0.13 million and 17.746 tons of CO_2e avoided.

To monitor the efficiency of energy consumption in Axtel's data centers, the Power Usage Effectiveness (PUE) indicator is applied. This index evaluates efficiency by comparing the total energy used by the facilities with the energy consumed directly by the computer equipment. Thus, it is obtained a clear view of the energy use of its operations, constantly looking for opportunities to optimize it.

On average, the 2023 PUE was 1.84, considering 7,371 mwh of energy used in its data centers, of which 8% was renewable energy.

Axtel energy mix:

- Consumption 2021: 4% solar, 44% CFE, 41% efficient cogeneration, 11% normal cogeneration.
- Consumption 2022: 8% solar, 49% CFE, 42% efficient cogeneration, 1% normal cogeneration.
- Consumption 2023: 15% solar, 45% CFE, 40% efficient cogeneration.

Emissions of greenhouse gases

An analysis of the greenhouse gas (GHG) emissions inventory is carried out annually, with the objective of mapping and recording direct and indirect emissions derived from operations. This process is essential to create a framework to evaluate and improve energy efficiency and reduce environmental impact.

Axtel managed to reduce its total GHG emissions by 37.35% vs its base year 2020. The company's emissions reduction objective is in absolute units, considering Scope 1 and 2 together.

- Base year 2020
- Target year 2027
- Base year emissions 63,412 tons CO_2e
- Reduction vs base year of 37%

Scope 1 (direct emissions)
Scope 1 emissions constitute 12% of total reported emissions. At Axtel, these emissions come mainly from the use of fuels and the production of energy in its facilities (fixed sources), as well as from its fleet of vehicles (mobile sources).

Scope 2 (indirect emissions)
Scope 2 emissions make up for 85% of the total emissions generated by Axtel's activities, originating mainly from the purchase of electrical energy used in its sites and offices.

Scope 3 (indirect emissions)
Scope 3 emissions, which represent 3% of the company's total emissions, are the result of its activities indirectly associated with its value chain. Among the main sources of these emissions are business trips by plane made by employees and gasoline bonuses provided as a benefit to executives.

- **Travel**. During this year, the team's air travel generated 924 tons of CO_2e, derived from both national and international flights, which totaled in 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 CO_2e.

Green services

In 2023, the use of collaboration and innovation technologies that help reduce the carbon footprint in cities and rural areas continued to increase and be promoted, for example, connectivity services to vehicle sharing platforms. And likewise, remote collaboration platforms that avoid people transportation and therefore help in reducing GHG.

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 impact many SDGs.

Water

Axtel's Efficient Water Use Policy establishes the guidelines to follow; although water consumption is not a critical component in Axtel's daily activities, it is aware of the essential value that this resource represents for life. Therefore, it is committed to responsible and sustainable management of water, promoting practices that ensure its efficient use and the preservation of this indispensable resource.

The water used is obtained mainly from the municipal supply in the regions where its operates and is subsequently reintegrated into the same systems.

In 2023, no negative impacts on water sources due to water use were reported.

Axtel has a storage of 499 m^3 of water in cisterns located in Nuevo León and Mexico City, intended for sanitary services and air feeding precision equipment. Additionally, they have 1,000 m^3 of water reserved in cisterns to be used in the event of fires, demonstrating their commitment to environmental preparedness and sustainability.

Monthly reviews are carried out on water consumption, this allows us to detect irregularities in consumption that can translate into the identification of leaks and waste of the vital liquid.

In 2023, 16,981 m^3 were consumed, of which 65%, equivalent to 11,121 m^3, come from areas of water stress.

Waste management and disposal

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

Some of the materials used 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 its Waste and Waste Management Policy, and in compliance with the Official Mexican Standards and the environmental legislation applicable in the country, waste management (produced by its operations) strategies are implemented.

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

During 2023, Axtel recycled 2,747 kg of paper and cardboard. The goal of reducing waste generation compared to 2022 was also met.

2.11.9) Corporate Governance

The Board of Directors of Axtel has various functions, among which the definition of the Company's strategic direction stands out. It is the highest governing body which, together with the CEO, is responsible for conducting the business and making decisions aligned with values, ethics and integrity, all this in order to guarantee the creation of sustainable value for its clients, collaborators, investors and suppliers.

Axtel's Board of Directors is integrated by 10 proprietary directors, of which six are independent and one is substitute. It is Co-Chaired by Álvaro Fernández Garza and Tomás Milmo Santos.

The directors and their respective substitutes are selected for their knowledge, relevant skills, capacity, experience, track record and independence; therefore, there is no discrimination based on gender, origin, civil status, religion or preferences.

The members of the Board of Directors were appointed and approved at the General Shareholders' Meeting on March 8, 2024, in accordance with the guidelines defined in the Securities Market Law (LMV), the Company's bylaws, Code of Ethics, the OECD Code of Principles and Best Practices for Corporate Governance and the Principles of the Global Compact.

The Board evaluates, at least once a year, the strategy and metrics that are part of Axtel's sustainability plan. The Executive Committee, integrated by the Co-Chairmen, CEO, CFO and Executive Director of Planning, reviews such plan and its progress at least once every quarter, in which they follow up on the strategy, objectives and progress in the environmental, social and corporate governance (ESG) areas.

In accordance with the LMV and with what it is defined internally, 60% of Axtel's Directors are independent. In 2023, four sessions of the Board of Directors were held with an average attendance of 93%.

Axtel has institutional policies that are part of the company's corporate governance, in which it establishes guidelines to conduct and to develop itself in an ethical and upright manner with stakeholders.

Likewise, it promotes transparency and accountability through the publication of policies that address key aspects of sustainability, allowing clients, 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.

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

If any conflict of interest arises, the directors have the responsibility of communicating it to the Board of Directors prior to making any decision, as well as refraining from participating and being present in the deliberation and voting on such matter, the latter not affecting the quorum required for the installation of the Council.

The Board of Directors receives support from the Audit and Corporate Practices Committee, integrated by three independent directors and is chaired by Alejandro Elizondo Barragán. This committee studies and issues recommendations to the board on matters related to auditing matters, corporate practices and the study of accounting policies, in addition to being responsible for maintaining communication between the directors and the Board of Directors and also avoiding conflicts of interest. It is also responsible for making decisions and managing impacts on the economy, the environment and people.

Regarding the management team, their remunerations are defined in accordance with the Salary Administration Policy, market surveys that are carried out and taking into consideration economic indicators such as inflation, growth expectations and the situation of the company. Independent consultants do not participate in this process; however, proposals for general increases and/or adjustments to benefits are presented to the General Management 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 payments, reimbursements, retirement benefits, benefits based on market references; in addition of social benefits such as major health expenses insurance, life insurance, emergency insurance and periodic medical check-ups.

Some of the Executive Directors receive monetary incentives such as compensation and bonuses, which are linked to the achievement of the company's results, which in turn are closely linked to Axtel's risk management metrics, energy efficiency, emissions goals, achievement of objectives and commitments. The objectives specifically related to ESG issues are reduction of GHG emissions and increase in training hours.

For more information, see the Management and Shareholders section of this Annual Report.

2.12) Market Information – Mexican Telecommunications Industry

2.12.1) Markets

Axtel, a company that serves the Mexican ICT market, through three segments: enterprise, government; and wholesale.

With a high focus on convergent Digital Transformation managed services (Cloud, Cybersecurity and Collaboration) and Value-Added solutions (System Integration and Managed Services), Axtel has positioned itself as a brand that has the experience, infrastructure and leading services to energize the ICT industry and contribute to the development of a new generation of more innovative, efficient and competitive companies. This is backed by strong partnerships with world leading technology partners and a service philosophy that strives for excellence.

The Company has the necessary experience and reputation of providing highest standards of service required by corporations and companies in the most significant sectors of the Mexican economy. Axtel currently has ongoing contracts with most of the international and domestic financial groups in the country, which emphasizes Axtel's important positioning within the financial sector, as in many others.

Enterprise market penetration by service

Service	Market Penetration '23 (%)
Telecom	**19%**
Connectivity and Managed Networks	18%
Voice and Data	37%
Collaboration	12%
Information Technologies	**6%**
Cybersecurity	9%
Data Centers and Cloud Services	5%
System Integration	5%

**Company estimates with information from third parties including industry analysts, such as IDC, Gartner, and Select.*

2.12.2) Market Size and Projected Growth

According to industry analysts, including IDC, Gartner, Frost & Sullivan and Select, the Mexican Telecommunications market generated Ps. 88 billion in 2023, a 3% annual increase. For the next 3 years, the Information and Communication technology market is expected to have an annual compounded growth of 4%; mainly driven by double-digit growth in Cloud Services, Cybersecurity and Collaboration.

The Mexican infrastructure addressable market for Axtel Networks is estimated to be around Ps. 9 billion for 2023 and a 3% annual growth is expected for the next 3 years; mainly driven by fiber growth.

2.12.3) Competition

The main competitors in the telecommunications sector are: Telmex (Triara, Scitum,Global Hitts, RedUno), Grupo Televisa Telecom (Bestel, Metrored), KIO Networks (MasNegocio, Smart, TibaIT, Wingu), Grupo Megacable (MCM, Ho1a, Metrocarrier) and Total Play Empresarial.

Telmex. Axtel's main competitor, was formerly the state-owned Telecommunications monopoly. It has the largest nationwide infrastructure covering the full spectrum of the market (enterprise, government, residential, telecom, IT, OTT), additionally America Móvil participates in the mobile market business through Telcel. Its revenues come mainly from the residential market. In 2015, Telmex was declared a preponderant economic agent under the new telecommunications reform, because of its market power and focus on providing local telephony and internet services. Strengthened in the public sector; it has been awarded important multi-year contracts in the current federal administration.

Televisa Telecom. Televisa, the largest Spanish-speaking media company in the world, is the majority owner of Cablevisión, TVI, Cablemás, Telecable and Cablecom. By leveraging its position in the media sector, as well as its strong capitalization, Televisa has entered the Telecommunications industry. For the enterprise and government segment it offers solutions through Bestel (with more than 15 years of experience and part of Grupo Televisa Telecom since 2007), providing voice, networks, internet, information technology and managed services. Televisa offers CATV services, broadband internet and telephony services through double-play and triple-play packages. In November 2014, it rebranded its cable service as “Izzi Telecom”.

Kio Networks. This company provides an information technology and infrastructure portfolio. It has data centers located in Mexico, Central America, the Caribbean and Europe.

Megacable. It provides internet services, paid television, fixed and mobile telephony services to the residential and business segments. In addition, it owns Metrocarrier, MCM, Ho1a and PCTV, providing value-added services that include managed services, equipment and content.

Totalplay. The company is part of Grupo Salinas and offers internet access, pay TV and telephony services, to the residential segment. Through its enterprise segment, it serves government and corporate institutions with multiple telecommunications services.

Competitive position – Positive aspects:

Axtel is the leading service provider in the business segment in Mexico with more than 25 years of experience in the market consolidating technological innovation, strategic alliances and high specialization in global technological trends.

Axtel has a focus on target markets, providing a high level of specialization and customer service through its businesses, Axtel Networks with a focus on Infrastructure for wholesale customers, and Alestra with a focus on services to the enterprise and government segments.

The strength of Alestra's service portfolio is a market differentiator due to its broad technological coverage based on 4 business lines: Telecom, Information Technology, Cybersecurity and Mobility.

Axtel Networks has an extensive metropolitan and long-distance fiber optic network that provides a unique position to offer world-class services that meet the needs of transporting large volumes of data with maximum performance.

Axtel is recognized for being the first provider of cloud services in Mexico, having the first experience center in Mexico and Latin America (mora than 15 years of operation), being the only one to offer a Mobility solution in Mexico with a total connection guarantee and have more than 60 leading technology partners globally.

Competitive position – Negative aspects / risks:

Global and Mexican economic and political conditions may adversely affect business and financial performance. Likewise, the telecommunications industry in Mexico is very competitive, which is why Axtel always seeks to offer differentiators in its service offering to maintain its technological leadership.

On the other hand, there is significant pressure on rates, especially connectivity services. Axtel year after year increases the base of services and their capacity to mitigate this risk.

If any of the suppliers does not provide the services, technologies and/or equipment, it could negatively affect the Company's results of operations. Therefore, contracts, service standards and operating agreements with suppliers are essential to guarantee the promise to customers.

Loss of market share or revenue from government sector customers could have a negative impact on the financial condition and results of the operation. Due to the above, Axtel has restructured its service to this market segment in order to serve federal, state and municipal agencies.

2.12.4) Reforms in Mexico's Telecommunication Sector

Constitutional Decree: On June 11, 2013, the "DECREE amending and adding various provisions of articles 6, 7, 27, 28, 73, 78, 94 and 105 related to telecommunications matters of the Political Constitution of the United Mexican States was published in the *DOF*", by which reforms were created to promote healthy competition and free concurrence in the sector.

AEP Resolution: On March 6, 2014, the plenary session of the IFT approved the "Resolution by which it determines that the economic interest group integrated by América Móvil S.A.B DE C.V, Telefónica de México S.A.B DE C.V and Telefónica del Noreste S.A. DE C.V, Radiomóvil DIPSA S.A.B DE C.V, Grupo Carso S.A.B DE C.V and Grupo Financiero Inbursa S.A.B DE C.V as Preponderant Economic Agent in the Telecommunications sector ("*AEP*") and imposes necessary measures to prevent affecting competition and free concurrence".

The concessionaire companies of the Preponderant Economic Agent (Telmex, Telnor and Telcel) have the following obligations towards other concessionaires:

- The sharing of its fixed and mobile passive infrastructure (for example: use of poles, pipelines, rights of way and towers, to mention the most relevant).
- Lease of dedicated links.
- The resale and unbundling of all the provided services through the Telmex local network.
- The resale of mobile voice, data and SMS services through the figure of the Mobile Virtual Operator (MVNO); and
- The national and international visitor user agreements (roaming) that Telcel had signed with other carriers.

Law Decree: On July 14, 2014, it was published in the *DOF* the "Decree by which are issued the Federal Telecommunications and Broadcasting Law; and various provisions on telecommunications and broadcasting are reformed, added and repealed".

On August 13, 2014, the *Ley Federal de Telecomunicaciones y Radiodifusión* (*LFTR*). It became effective, empowering the IFT to undertake any and all duties and responsibilities set forth in the Federal Law of Economic Competition (*Ley Federal de Competencia Económica*) (*LFCE*) in respect to the telecommunications and broadcasting sectors, including, among others, (i) analysis of concentrations; (ii) opinions in bidding processes; (iii) investigation of anticompetitive or monopolistic practices; and (iv) application of sanctions.

The LFTR authorizes the IFT to regulate competition in the telecommunications and broadcasting sectors using a variety of regulatory mechanisms, including:

Determination of the Existence of Preponderant Economic Agents. The IFT may declare, at any time, the existence of a "preponderant agent" in the telecommunications and broadcasting sectors. The LFTR considers a preponderant economic agent to be any person who, directly or indirectly, owns more than fifty percent of the subscribers, users, audience, traffic on their networks, or capacity used on such networks, measured on a national basis, in the provision of broadcasting or telecommunications services.

Asymmetric Regulation. The IFT may impose "asymmetric regulation." Any economic agents that are declared by the IFT to be preponderant economic agents shall be subject to asymmetrical regulation as determined by the IFT, which could be applied in respect to rates, information, quality of services, exclusivity, divestiture of assets, among others. The IFT must verify, on a quarterly basis, compliance with any asymmetric regulation that was issued and apply any appropriate sanctions. In such process, the IFT may be aided by an external auditor. If the IFT determines that the conditions of effective competition have been restored in a market where an entity was declared preponderant economic agent, then the provisions of the asymmetric regulation shall cease to apply. Similarly, if the IFT determines that an entity no longer accounts for more than fifty percent of the subscribers, users, audience and traffic on their networks, or capacity used on such networks, considering the national participation of such entity, such entity shall be deemed to no longer be a preponderant agent. The LFTR also provides that any entity declared a preponderant economic agent may submit to the IFT a plan with actions it proposes to take to stop being considered a preponderant economic agent.

The LFTR sets forth, among others, the following asymmetric regulations, some of which are applicable to Telmex and Telcel, the current preponderant economic agents in the telecommunications sector:

- To provide annually and for the approval of the IFT, a public offer in connection with interconnection matters, including a proposed form of agreement to be entered with other operators, disaggregation of its network and share of infrastructure matters, roaming and resale of wholesale services;
- To submit for approval of the IFT, the rates offered regarding services to the public and intermediate services to other concessionaries;
- To provide annual information regarding its wired, wireless and broadcast network, including its development and modernization plans, as well as its infrastructure;
- To allow other operators, disaggregated access to its network and infrastructure on a basis of nondiscriminatory rates and which do not exceed those rated authorized by the IFT;
- To allow other operators to resell its services;
- To not discriminate between the interconnection traffic of its own network and the interconnection traffic of other concessionaries;
- Provide its services observing the minimal quality standards set forth by the IFT;
- To not establish obligations, penalty fees or restrictions of any kind that may result in the inhibition of the consumers;
- Provide to the IFT detailed accounting information, separated by each service offered;
- Offer and provide services to the other concessionaries, in the same terms, conditions and quality as offered to itself; and
- Abstain from establishing technical or any kind of barriers that may block the development of infrastructure of other concessionaries.

Determination of the Existence of Dominant Agents. The IFT may declare, at any time, the existence of a "dominant agent" in the telecommunications and broadcasting sectors and, similarly to the asymmetric regulations which may be imposed on preponderant economic agents in order to avoid any distortion to the process of free competition, the IFT has the authority to impose specific obligations in order to limit agents with substantial economic power, with respect to information, quality of services, rates, commercial offers and billing.

Consolidation without Notice. Consolidation between economic agents holding concessions may occur without the need to notify the IFT provided that, among other requirements, there is a preponderant economic agent in the market where such transaction takes place, and such preponderant economic agent is not one of the parties involved in the concentration.

Interconnection Rates. While there is a service provider that is considered a preponderant economic agent, the preponderant economic agent, as of 2018, must charge the other concessionaires' rates for the termination of calls in their network based on a cost and asymmetric methodology with respect to those charged by other concessionaires. The other service providers (excluding the preponderant economic agent) shall freely negotiate among themselves the applicable rates and, if no agreement is reached, the tariffs shall be determined by the IFT in accordance with the costing methodology determined by the IFT. When there is no longer a service provider considered as a preponderant economic agent, the service providers shall maintain mandatory reciprocal compensation agreements, by means of which payments for termination of traffic shall be avoided.

Functional separation of Telmex. The IFT has ordered Telmex to carry out the functional separation so it will have to create, within two years from 2018, a subsidiary of Telmex, which offers only local wholesale services, both to competitors and to other divisions of Telmex, but must operate independently of the latter.

Competitive Neutrality. Public entities are permitted to obtain titles or concessions for commercial purposes. Therefore, and to protect the dynamics of competition, the LFTR determines that the state-owned service providers shall act as private enterprises and shall not create distortions to the market since they are public entities.

Sanctions. The IFT is authorized to impose sanctions on the entities or individuals involved in practices that violate the LFCE in the telecommunications and broadcasting sectors. In this regard, the IFT may apply, among others, the following sanctions: (i) fines on the sanctioned operators of up to 10% of their accrued income and, in case such violation is repeated, for up to twice of the amount set forth by the original corresponding sanction; (ii) fines on individuals who participated in monopolistic practices; and (iii) prohibitions on individuals who participated in monopolistic practices, restraining them from serving as directors or business managers.

Other. In addition to the above, the LFTR effects the following important changes:

- Elimination of charges for national long-distance calls, effective January 1, 2015;
- Opening of the mobile telephony market to new service providers, through the Mobile Virtual Network Operator figure;
- Opening of the industry to foreign investment of up to 100% in telecommunications and 49% in broadcasting activities;
- Access to advertising in an equitable and non-discriminatory basis;
- Introduction of certain rights to the users through the participation of the Procuraduría Federal del Consumidor (Federal Consumers Agency) as authority;
- Confers rights to disabled users to access telecommunications services;
- Confers rights to audiences;
- Introduction of rules to cooperate with the authorities in the field of justice; and the
- Introduction of the National Single Emergency Number 9-1-1.

Biennial Resolution: On February 27, 2017, the IFT approved the resolution by which it suppresses, modifies and adds the measures imposed on the Preponderant Economic Agent by the resolution of March 6, 2014.

Implementation of the functional separation: On February 27, 2018, the plenary session of the IFT resolved on the Final Implementation Plan for the Functional Separation, which established, among other elements, the terms and conditions under which Telmex and Telnor had to implement the functional separation during the transition period, which expired on March 6, 2020.

T-MEC: In December 2019, the governments of Mexico, Canada and the United States reached an agreement to sign modifications to the Free Trade Agreement called T-MEC. This agreement considers the main measures applicable to telecommunications in Mexico, intended to promote healthy competition through an autonomous entity. On the other hand, various principles are also included in the agreement to facilitate digital trade, which will encourage the services and goods availability through information and communication technologies.

Second Biennial Preponderance Resolution: On December 2, 2020, the Plenary of the Institute approved the "Resolution whereby the Plenary of the *Instituto Federal de Telecomunicaciones* suppresses, modifies and adds measures imposed on the preponderant economic agent in telecommunications". As a result, the possibility of granting tariff freedom in the Indirect Loop Access Service ("*SAIB*") in some geographical areas was determined, depending on the criteria and thresholds defined by the IFT.

2.13) Corporate Structure

Axtel is a public corporation whose shares are registered in the National Securities Registry and listed on the BMV through Ordinary Participation Certificates ("CPOs") issued under the Trust whose trustee is Nacional Financiera, Sociedad Nacional de Crédito, Institution of Development Banking. The Company is a subsidiary of Controladora Axtel, which exercises control and owns 53.9% of the shares representing the Company's capital stock, through the Trust Agreement of Administration No. 2673 held with Banco Invex, S.A.

ALFA's shareholders, who met in an Extraordinary General Assembly on July 12, 2022, approved the partial spin-off of their total share ownership in the Company, as well as other assets and capital, to Controladora Axtel, the spun-off company.

On May 19, 2023, the Company announced that Controladora Axtel received authorization from the CNBV to register its shares in the National Securities Registry. The distribution of the shares of Controladora Axtel represents the end of the spin-off process. As a result of the transaction, ALFA shareholders received one share of Controladora Axtel for each ALFA share they owned.

The number of Axtel's shares remained unchanged. Controladora Axtel began trading on the Stock Exchange on May 29, 2023, date as of which the Company is a subsidiary of Controladora Axtel. Controladora Axtel, the Group's last holding company, exercises control and is the owner of 53.9% of the shares representing Axtel's capital stock.

Axtel carries out its activities through subsidiary companies which it owns or in which it directly controls most of the common shares representing their capital stock.

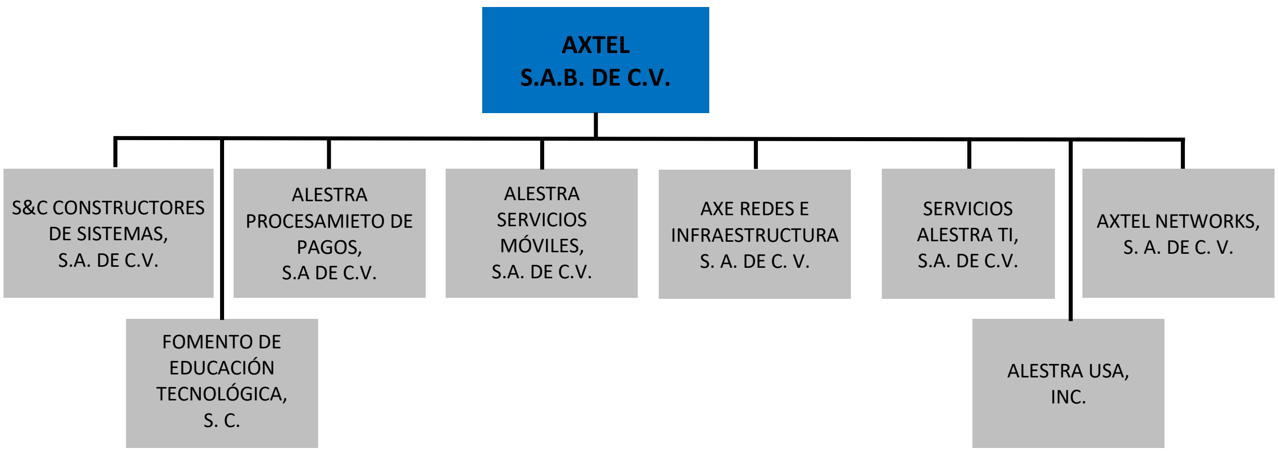
As of December 31, 2023, 2022 and 2021, the main subsidiaries of Axtel are the following:

		Percentage (%) of ownership			
NAME	**COUNTRY**	**2023**	**2022**	**2021**	**Functional currency**
Axtel, S. A. B. de C. V. (Controladora) (2)	México				Peso
Alestra Innovación Digital, S. de R. L. de C. V. (2) (4)	México	-	100	100	Peso
Alestra USA, Inc. (1)	USA	100	100	100	Dólar
S&C Constructores de Sistemas, S. A. de C. V. ("S&C")	México	100	100	100	Peso
Estrategias en Tecnología Corporativa, S. A. de C. V. ("Estratel") (2) (4)	México	-	100	100	Peso
Servicios Alestra TI, S. A. de C. V. (2)	México	100	100	100	Peso
Alestra Procesamiento de Pagos, S. A. de C. V. (2)	México	100	100	100	Peso
Alestra Servicios Móviles, S. A. de C. V. (2)	México	100	100	100	Peso

Fomento de Educación Tecnológica, S. C. (3)	México	100	100	100	Peso
Axtel Networks, S. A. de C. V.	México	100	100	100	Peso
AXE Redes e Infraestructura, S. A. de C. V.	México	100	100	100	Peso
Allied Inmuebles, S.A. de C.V. (4)	México	-	100	-	Peso

1. Leasing of telecommunications equipment and infrastructure.
2. Provider of telecommunications services.
3. Training and development services.
4. At the Extraordinary General Shareholders' Meeting held on March 7, 2023, it was approved 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., which subsisted with 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 takes full effect between parties and third parties as of April 1, 2023; This merger has no impact on the Company's consolidated operation.

As of December 31, 2023, 2022 and 2021, there are no significant restrictions for investment in shares of the subsidiary companies.



2.14) <u>Description of Main Assets – The Company's Network</u>

2.14.1) Facilities

All Company's properties are in Mexico. Its headquarters are in San Nicolás de los Garza, Nuevo León, Mexico. The Company's corporate office has 12,693 square meters of construction (CIT). Additionally, the Company owns and leases properties in different cities of Mexico which are used for offices, work centers or warehouses, switches, call centers, etc. Properties of more than 3 thousand square meters of surface, excluding base stations, are detailed as follows:

Name	Use	Location	Area in m2	Ownership	Contract Maturity	Contract Starting Date
CIT	Technology	Monterrey	31,931 land 12,693 construction	Axtel	-	-
Padre Mier	Tecnología	Monterrey	1,400 land 3,167 construction	Axtel	-	-
Switch 1 Gdl. - La Paz	Technology	Guadalajara	575 land	Axtel	-	-

			4,068 construction			
CIC Apodaca	Operating Center	Monterrey	3,441 leased	Leasing	30/03/2024	01/04/2019
Óptima Tower	Administrative	Mexico	1,685 land 3,159 leased	Leasing	31/12/2028	31/01/1996
Switch 2 Mex – Uxmal	Technology	Mexico	2,062 land	Axtel	-	-

2.14.2) Telecommunications Network

The Company has a network infrastructure of approximately 50,800 kilometers of fiber (including 13,400 km of capacity use agreement). Axtel provides network transport using a national fiber optic network combined with a local hybrid access designed to optimize capital investments through the deployment of equipment to access the network, based on the specific needs of each customer. The Company's access options include last mile fiber optic, point-to point and copper, all connected through 27,000 kilometers of metropolitan fiber optic rings.

The Company’s wireless network uses microwave radios, TDM telephone centrals and next generation centrals (Softswitch) and other types of infrastructure provided by recognized providers including Motorola, Nokia, Siemens Networks, Ericsson, Ribbon, among others. Axtel’s internet platform is based on Cisco, Alcatel Nokia & Huawei routers. Local fiber networks or metropolitan fiber optic rings use OFS Optical Fibers of Mexico, Samsung, Huawei and AFL and optical transmission equipment from Alcatel-Lucent (Nokia), Nokia-Siemens Networks (Infinera), Huawei and PacketLight. The combination of these components allows the Company to offer superior reliability to the network used by other providers.

In general, the ability to access advanced technologies directly increases the cost of the solutions. The capacity of Axtel’s local hybrid access allows the Company to:

- Provide a variety of IT and Telecom services;
- Meet demand quickly;
- Penetrate specific markets and
- Dimension the deployed infrastructure to meet the market demand and the individual needs of customers.

This network infrastructure enables Axtel to meet the needs of various market segments while pursuing investment efficiencies.

Access Connectivity

The last-mile connectivity portion of Axtel’s network is comprised of a mix of fiber optics technology and microwave links for enterprise, finance and government sectors, located within the coverage range. The access technology to be used is determined based on a cost-benefit analysis, based on customers’ needs and service availability. Using the ethernet technology in last mile fiber optic access, Axtel also provides advanced data and voice services with high security standards to large companies and financial institutions.

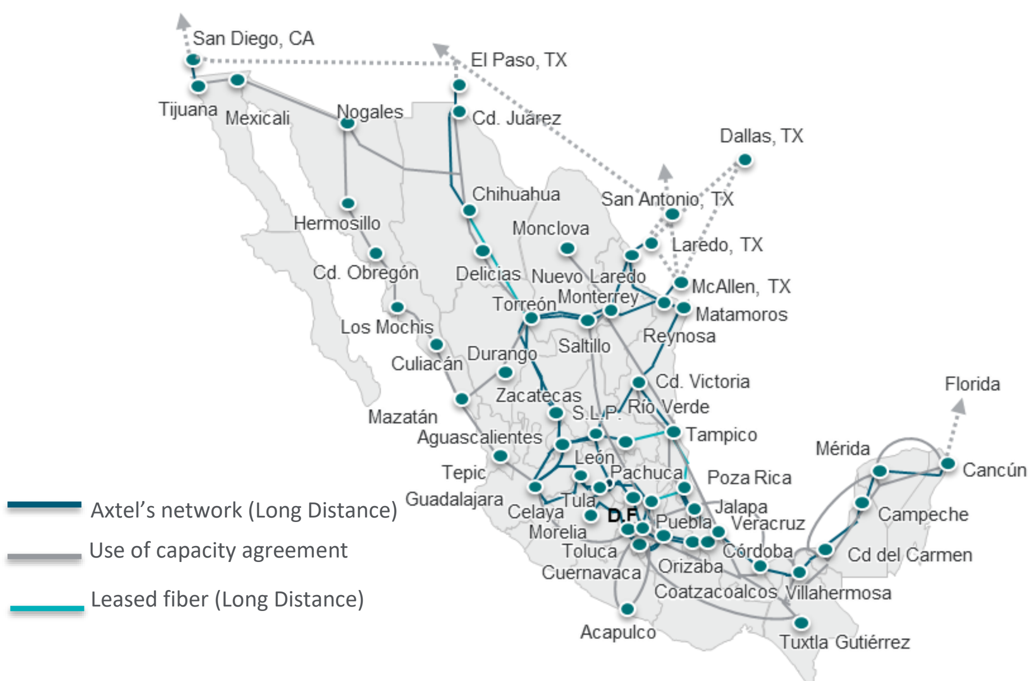
Axtel’s point-to-point access, as well as the fiber optic links, are used for customers requiring digital trunks or dedicated private lines of more than 2Mbps. The Company also uses hybrid solutions or combines multiple technologies to reach more customers by expanding service using digital fiber solutions and specific technologies.

Network Overview

Optic Fiber Network (km)	50,800	Last mile access (#)	36,700
Long Distance Network (km)	23,800	POPs (#)	1,000
Metropolitan Network (km)	27,000		
Cities (#)	76	Spectrum Frequencies	7 / 10.5 / 15 / 23 / 38 GHz

Long Distance Network

Axtel's long distance transport network is approximately 23,800 kilometers in length, comprised of 10,400 km of its own infrastructure and the rest consisting of access through irrevocable right-of-use contracts that support digital hierarchical synchronization ("SDH"), optical transport network (OTN) and shipping technology through simultaneous channels through different wavelengths ("DWDM - dense wavelength division multiplexing"). SDH/OTN allow the implementation of bi-directional ring architecture, a system that allows instantaneous redirection of traffic in case of equipment failure or a fiber cut. DWDM technology allows a large transmission capacity in the same physical infrastructure by the installation of additional electronic equipment. Axtel's transport network connects 76 cities through its own infrastructure and covers strategic cities in Mexico and the United States to provide customers with critical cross-border connectivity services through 5 international border crossings.



Voice Switching

The Company uses 6 Ribbon digital switching centers called the DMS-100to route local and long-distance traffic, 1 Ericsson AXE TL4 Digital Switching Central for local service, 6 next generation Ribbon Call Server 2000 switches (Softswitchs), 4 Sonus SoftSwitch that route local and long-distance traffic. It Additionally has a Broadsoft platform to offer VoIP service (SIP lines), 3 Ribbon SBC 5400 clusters that switch VoIP traffic from clients and 3 Ribbon SBC 7000 clusters that switch national and international VoIP traffic from the United States and the rest of the world. The coverage of Voice/VoIP Services is over 70 cities.

Network Administration

Axtel has six network monitoring and administration centers, located in Monterrey. These centers supervise the correct operation nationwide using next generation management systems that allow attention of incidents and infrastructure maintenance remotely. The monitoring occurs 24 hours a day, seven days a week. Any event detected by the centers is registered and attended through a diagnostic process until its solution.

- NOC: Network Operation Center; Monitoring and restoration of network infrastructure
- CASTI: IT Operation Center; Business continuity
- MSNOC: Managed Services Operation Center; Monitoring and restoring client networks
- CDC: Cyber Defense Center; Cyber threat detection and response
- HD: Help Desk; Support to corporate market requirements
- COC: Cloud Operations Center; Cloud infrastructure monitoring and restoration

2.14.3) Network reliability – Business Continuity

Axtel is aware of the various risks that can cause interruptions in the service it provides to its customers, such as weather events, natural disasters, cyber attacks, crime and technical failures, to name a few.

To ensure the reliability of its network, Axtel has a Business Continuity Management System certified by ISO 22301 and ISO 31000, in which it manages cyber resilience through risk management, business impact analysis, management of business continuity (BCP and DRP), and that considers the necessary procedures to recover the operation at critical moments through the use of strategies, plans and simulations that minimize the risk of impact for the company, its operation and clients. Also, it operates in accordance with other international standards such as ITIL, ISO 9001 and ISO 27001.

Additionally, it performed analysis and elimination of privileges on client accounts, implemented Endpoint Detection and Response (EDR) and reinforced security measures such as default value configurations and multi-factor authentications.

As part of its understanding of the systems and the need to guarantee business continuity, this year it achieved 25 certifications for 12 of its collaborators, in different areas such as Public Cloud, SAP and Artificial Intelligence. This allows it to have a significant and comprehensive understanding of the technologies that integrate the network and to prepare regarding the 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 the company of changes in trends that may lead to a possible failure.

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

In this sense, during August Axtel launched its TIMOB system, developed in the IT Services Administration Center (CASTI), which allows to automatically integrate IT Monitoring systems into a centralized and correlated platform that does not depend on humans, that is, monitoring is 100% automated. The creation of Axtel's TIMOB system has allowed reduction in attention time, as well as increase observability in the detection of its clients' problems.

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 launching 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.
- 98% proactivity hit rate
- Monthly reduction of 864 hours (4.5 FTEs).
- Increased observability by 95% for +20K elements from +500 clients.
- +2,500 monthly incidents registered, attended and escalated

2.14.4) Risk management and climate change opportunities

Climate change is a reality that must be addressed from business management, so all areas of the organization participate and are responsible for evaluating the risks and opportunities related to the climate that could impact Axtel's services or operations, seeking incorporate the necessary measures to mitigate its possible negative impacts.

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

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

The geography of Axtel's operation allows it to fully identify the risk factors related to the climate where it operates, from areas exposed to possible damage from hurricanes, floods, earthquakes and strong winds, as well as the wear and tear of the infrastructure due to severe and/or corrosive climate exposure.

With increasing regularity, the network is tested by natural disasters and the effects of climate change. Axtel recognizes the impact that these effects can have, which is why it is committed to identifying, managing and mitigating the potential impact and magnitude of physical climate risks on its operations. This is done to ensure the ability to support customers and communities, maintaining maximum service resilience and sustainability.

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

- The area with the greatest influence on the risk is responsible for its monitoring, which together with internal and external specialists, determine the actions to implement to mitigate or contain the risk.
- The actions to follow are presented to the Operating Committee and the ESG Executive Committee. On a quarterly basis, monitoring is carried out through the Board meetings and the Audit and Corporate Practices Committee.
- • If the risk is considered relevant, both the action plans and control implementation to address it are incorporated into the objectives and variable compensation of the responsible person.

Additionally, as part of risk prevention, Axtel carries out:

- Electromechanical maintenance plan, valid throughout the year, reinforced in hurricane areas and seasons.
- Attention Reaction programs in areas that will be impacted by natural disasters, sending the required personnel to provide timely attention and maintain the operations active.
- Infrastructure deployments planning considering areas with potential climate impacts and using forecasts (e.g. in coastal areas the sea level rise is contemplated).

Environmental risks in the telecommunications industry focus on greenhouse gas emissions, the industry's waste management, water use, and natural weather conditions; the latter with a trend more specific to the geographical area than a characteristic of the sector.

The sector uses energy to power its communication networks, data centers and operations, but its scope is less intensive than that of sectors such as public services. Some of the factors that could influence an increase in energy consumption are the accelerated increase in data transmission, the transition to 5G technology, increased traffic, higher frequencies and density of antennas, and the need of a more sophisticated information processing. For this reason, the sector has focused its attention on increasing its energy efficiency to power its networks, data centers, call centers, points of presence and information technology systems.

Axtel has solid resource optimization programs, design efficiencies, certified facilities, and a greater supply of renewable energy. Based on these measures, the Company can potentially obtain a competitive advantage by transferring savings to customers and increasing its operating margins.

The transition to a low carbon environment is already taking place through greater virtualization of activities and efficiency improvements from more robust connectivity. For now, the risk towards such transition represents a neutral impact.

Climate incident monitoring, prevention and management program

As part of Axtel's prevention and management system, during 2023, more than 200 thousand preventive maintenance routines were carried out in order to maintain the availability of the network and guarantee proper operation functioning.

Likewise, there was a process to address contingencies due to climate incidents, which is managed by a committee integrated by personnel from different areas of Axtel to ensure that the entire operation is covered when it is time to react.

Mexico is highly vulnerable to hurricanes due to its location between the Pacific and Atlantic oceans. In 2023, the forecast for hurricanes in Mexico was 38. Of the events predicted for both oceans, 17 were recorded in the Pacific Ocean, of which Axtel monitored eight and five made landfall. On the other hand, 19 were recorded in the Atlantic Ocean, of which three were monitored, and one made landfall.

Axtel promotes a culture of prevention for the hurricane season, which begins in the Pacific and Atlantic Oceans in May and June, respectively. Since March, it starts conducting verification meetings, closing maintenance tasks, validating spare parts, materials and consumables, testing of emergency plants, local and remote backups of technologies, validating equipment and tools and other activities to ensure our operation during these climatic events.

Acapulco is an important example on this regard; As prevention, before the impact of Hurricane Otis in Guerrero. During this incident that affected many families, Axtel sent technical personnel to restore city services and communication, in addition to providing support to the families of the employees who live in that area by making donations.

Considering Hurricane Otis, multiple climatic and adverse events occurred during 2023. However, thanks to this process, it managed to maintain an optimal impact margin that was not reflected in the service its clients received.

Life Cycle - Critical Incident:

1. Alert Phase - Network Operation Center
   - Contingency declaration, notification and identification of elements at risk
     - Attention and monitoring protocol for contingencies (earthquakes, hurricanes, power failures, extreme weather)

2. Transition phase – Field Operation
   - Gathering of teams, transportation and implementation of contingency plan.
     - Contracts with specialized suppliers for electrical failures attention
     - Minimum fuel level (70%) that guarantees a 24-hour autonomy
     - Fuel suppliers
     - Direct contacts with CFE for contingencies follow-up

3. Recovery phase – Network Operation Center + Field
   - Restoration procedures, field support management and customer coordination
     - Continuous communication scheme
     - 7x24 monitoring @ site telemetry (force, temperature, humidity)

4. Normalization phase – Network operation management
   - Impact analysis, normalization of contingencies and lessons learned.

2.14.4) Information Technology Systems

Axtel has an information technology architecture that is based up on Pega for customer relationship management system (CRM), SAP software for enterprise resource planning (ERP) and financial and administrative functions, Netcracker software for billing; Net Boss and MicroFocus for network management and monitoring. These systems enable Axtel to perform on-line sales, manage customer requests, generate accurate bills and produce timely financial statements. Also, they allow the Company to respond to customer requests with speed, quality and accuracy.

Additionally, the new digital architecture evolution included new software assets. In Alestra, low-code and micro-services licensing (Pega) have made possible to streamline sales cycles, simplify operational processes and improve data analytics. Strategies like “Alestra OneTouch” represent an important intellectual property in Customer Service strategy. For Axtel Networks, new digital platforms support machine-to-machine interaction, enabling international standards (Metro-Ethernet Forum-MEF) position it as a world-class operator. Also, platforms have been added for the automation of field engineers (OfficeTrack); collaboration and analytics platforms (Microsoft Teams), design-thinking (Miro/Trello) and robotic process automation (Automation Anywhere) to enable collaborator interactions and increase productivity.

2.14.5) Other Topics Related to the Company’s Assets

At the date of this report, no asset has been granted as collateral for any credit, therefore the Company's assets are free of encumbrances. The Company´s main assets comply with the industry's own environmental and maintenance safety standards. The telecommunications network was built and operated based on international standards of reliability, redundancy and restoration.

Axtel has no plans to build or expand its fiber network, except those that consist of the normal maintenance and operation of the business, which will be financed with the cash flow generated by the Company.

Axtel is insured with coverage against five categories of risks: (i) assets; (ii) transportation, (iii) civil liability, (iv) Cyber and (v) Crime. The all-risk policy insures assets for hydrometeorological events, hurricanes and other weather conditions, earthquakes, equipment breakdown, fire, among other catastrophes. Transportation policies offer coverage for all import and export equipment, whether shipped by air, land and or sea. There are also civil liability policies, which provide coverage for damages to third parties and insure goods, products and people, including advisors and managers, in addition to professional civil liability for technology services. Cyber policies are to protect and restore damage to data and systems, cyber extortion, regulatory fines, business interruption, data confidentiality and third-party liability caused by ransomware, phishing, spyware, malware, among others and crime that also restores the financial damage of all the above as well as financial losses due to internal or external fraudulent acts. In addition, as required, insurance policies are contracted to comply with local regulations or specific needs, such as commercial automobiles, workers' compensation and employee practices. Axtel considers that the insurance coverage is reasonable in amount and consistent with industry standards and do not anticipate having any difficulties in renewing any of its insurance policies.

2.15) Judicial, Administrative and other Legal Proceedings

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 of amparo 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.

i. Current status: first instance, denied amparo to Telcel (2023), review in progress, adhesive was filed, favorable prospective due to precedents of the Supreme Court of Justice of the Nation ("SCJN").

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.

2021 rates

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 amparo to Telcel (2023), review in progress, adhesive was filed, favorable prospective due to precedents of the SCJN.

<u>2022 Rates</u>

i. Two amparo lawsuits, regarding ITX and virtual mobile networks, where Axtel and Alestra Servicios Móviles (ASM) appear as interested third parties.
ii. January 2022: A lawsuit promoted by Telcel was notified against the rates determined by the IFT, regarding Axtel's ITX, for the year 2022.
iii. January 2022: A lawsuit promoted by Telcel was notified against the rates determined by the IFT, in terms of ITX and as OMV of ASM, for the year 2022.
iv. Current status: In the first instance, given the precedents resolved by the SCJN, the prospective of the matters is favorable.

<u>2023 Rates</u>

i. Two amparo lawsuits, regarding ITX and virtual mobile networks, where Axtel and Alestra Servicios Móviles (ASM), appear as an interested third party.
ii. January 2023: A lawsuit filed by Telcel was notified against the rates determined by the IFT regarding Axtel's ITX, for the year 2023.
iii. January 2023: A lawsuit filed by Telcel was notified against the rates determined by the IFT, regarding ITX and as OMV of ASM, for the year 2023.
iv. Current status: Both trials in the first instance, given the precedents resolved by the SCJN, the prospect of the matters is favorable.

As of the date of issuance of this Annual Report, 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 SJCN are favorable to Axtel's interests, it is estimated that an adverse scenario no longer exists.

As of the date of issuance of this Annual Report, 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. Telefónica Group.

<u>2018 rates</u>

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 amparo to Telefónica, review pending, adhesive was filed.

<u>2019 rates</u>

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 amparo to Telefónica, review in progress, adhesive was filed, favorable prospective due to precedents of the SCJN.

<u>2020 rates</u>

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 amparo to Telefónica, review in progress, adhesive was filed, favorable prospective due to precedents of the SCJN.

As of the date of issuance of this Annual Report, 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.

As of the date of issuance of this Annual Report, 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. AT&T Group.

<u>2020 rates</u>

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 a lawsuit filed by AT&T against the rates for the year 2020, determined by the IFT.
iii. Current status: Dismissal for inadmissibility, without challenge by the plaintiff. Definitively concluded in a favorable sense.

As of the date of this Annual Report, it is resolved that the rates will prevail based on the resolutions obtained before the IFT, as all trials have been resolved in favor of Axtel. Therefore, it is estimated that there is no longer an adverse scenario.

As of the date of this Annual Report, Axtel 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.

<u>2018 rates</u>

i. Pending lawsuit regarding OMV matters, 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 concluded definitively in favorable sense (2022). OVM trial definitively concluded as favorable to Axtel’s interests due to an agreement among the parties.

<u>2019 rates</u>

i. Pending lawsuit regarding OMV matters, Axtel is considered an interested third party.
ii. January 2019: The Company was notified of two lawsuits (ITX/OMV), against the rates for the 2019 period, determined by the IFT.
iii. Current status: The ITX trial concluded definitively in favorable sense (2022). OVM trial definitively concluded as favorable to Axtel’s interests due to an agreement among the parties.

<u>2020 rates</u>

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: Trial definitively concluded as favorable to Axtel’s interests due to an agreement among the parties.

<u>2021 rates</u>

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: Trial definitively concluded as favorable to Axtel's interests due to an agreement among the parties.

2022 rates

i. A trial regarding ITX / OMV, has Axtel as an interested third party.
ii. January 2022: The Company was notified of the amparo lawsuit against the rates for the period of 2022, determined by the IFT.
iii. Current status: Trial definitively concluded as favorable to Axtel's interests due to an agreement among the parties.

2023 rates

i. A trial regarding ITX / OMV, has Axtel as an interested third party.
ii. December 2022: The Company was notified of the amparo lawsuit against the rates for the period of 2023, determined by the IFT.
iii. Current status: Trial definitively concluded as favorable to Axtel's interests due to an agreement among 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 convenient precedents in the Máximo Tribunal and a series of litigation precedents favorable to Axtel, therefore, it is estimated that an adverse scenario no longer exists.

As of the date of this Annual Report, 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 Lawsuits.

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 Labour and Social Welfare, CONAFOR, Registro Nacional de Población, Gobierno de 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 commercial 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 Ps. $12 million from Axtel; however, The Company has made the corresponding reserve to face this contingency.

In 2022, the Company obtained an amparo ruling in its favor, obtaining the modification of the sentence against it.

In March 2023, ION challenged the amparo ruling seeking to reverse it in its favor, a process being studied for resolution.

iii. Compensatory Procedures in the Federal Superior Auditors ("ASF" for its Spanish initials)

By May 2019, the ASF determined a compensation liability of Ps. $34 million against S&C Constructores de Sistemas, S.A. de C.V., which was challenged by the TFJA, which, in April 2021, issued a judgement against the interest of the company, which is 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.

In relation to the above, for March 2023, the SAT calculated an update and surcharges for Ps. $45million, a decision that was challenged through an administrative trial, which is suspended together with the administrative enforcement procedure until the Federal Judicial Branch resolves the main matter. The tax credit is guaranteed.

In this sense, the Company and its advisors consider the possibility of obtaining a result with a highly favorable prospective for both lawsuits, given the ruling determined by the SCJN.

iv. Litigation between Axtel and the Welfare Ministry.

In 2022, Axtel filed an annulment lawsuit before the Federal Court of Administrative Justice, against the Welfare Ministry, in which the payment of Ps. $24.3 million is claimed for the provision of services in the year 2020.

The matter concluded favorable in first and second instance for Axtel, currently is pending the review to improve the scope of the ruling.

In this sense, the Company and its advisers consider the possibility of obtaining a result with favorable prospects for such trial.

v. 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.

2.16) Capital Stock

Subscribed and Paid in Capital
In accordance with the provisions of the LMV, Axtel may issue different series of non-voting shares, limited voting shares and other restricted corporate rights. The shareholders' meeting that decides on the issuance of such series of shares shall determine the rights that will correspond to the new series of shares.

Since the Company is a public stock company with variable capital, its capital stock must be made up of a fixed portion and may have a variable portion. As if the date of this Annual Report, the capital stock of Axtel, being the fixed minimum with no right to withdrawal is the amount of $454'620,882.31, represented by 19,824,236,117 ordinary, nominative shares, without expression of nominal value, of Class "I" Series "B", fully subscribed and paid; and does not have shares issued or subscribed in its variable part. Axtel and its subsidiaries may not own Shares representing Axtel's capital stock, notwithstanding the foregoing, in certain cases, the Company may repurchase its own Shares.

Repurchase of Shares

In accordance with the provisions of the LMV, the Company's bylaws provide for the possibility for Axtel to acquire its own shares on the BMV at the quoted market price at that time. The Repurchase of Shares will be on the account of the stockholders' equity of the Company if the Shares stay in possession of Axtel, or on the account of the capital stock if the repurchased Shares are converted into treasury shares. The ordinary general meeting of shareholders will have to approve the total amount destined for the purchasing of own Shares for each fiscal year, amount which shall not exceed the total amount of net income of the Company, including the retained earnings. The Board of Directors must designate the persons responsible for carrying out said repurchase of Shares, as well as their sale. The repurchased Shares shall not be represented at the shareholders' meetings. The repurchase of Shares will be carried out and will be reported and disclosed in accordance with applicable legal provisions.

At the Ordinary General Shareholders' Meeting held on March 7, 2023, it was approved to create a reserve for shares repurchase of Ps. $100 million. Additionally, it was resolved that such maximum amount of resources remain in force during the following fiscal years, unless an Ordinary Shareholders' Meeting resolves to allocate a different amount for own shares purchasing. For the year 2023, repurchases were carried out for a total of 28,938,371 shares, which represented a decrease of Ps. $4.0 million in the fund.
At the Ordinary General Shareholders' Meeting held on March 7, 2022, it was approved to create a reserve for the repurchase of shares of Ps. 200 million. Additionally, it was resolved that said maximum amount of resources remains in force during the following fiscal years, unless an Ordinary Shareholders' Meeting resolves to allocate a different amount to the purchase of its own shares. For the year ended 2022, no share repurchases were made.

At the Ordinary General Stockholders' Meeting held on March 5, 2021, a reserve for the repurchase of shares of Ps. $200 million 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 Ps $9.9 million.

As of December 31, 2023, 2022 and 2021, the balance of the reserve for the repurchase of share is Ps. $96 million, Ps. $200 million and Ps. $190 million, respectively.

Movements on the number of common shares of the Company during the year was as follows:

	Number of shares
Shares as of 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	0
Shares as of December 31, 2022	19,824,236,117
Repurchase of shares	28,938,371
Final balance as of December 31, 2023	19,795,297,746

Variations in the Capital Stock of the Company in the last three years

At the extraordinary General Shareholders' Meeting, on March 8, 2024, the cancellation of 45,000 Class “I” Series "B" shares, not subscribed or paid, was approved, which were deposited in the Company's treasury to support the conversions of the convertible obligations, as a result that its owners did not exercise the respective conversion right and having been paid the entirety of such obligations.

As a consequence of such cancellation of shares, it was resolved to reduce the fixed part of the capital stock in Ps. $1,031.96; amount equal to the theoretical value of the cancelled shares, to leave the fixed part of the capital stock at Ps. $454'619,850.35.

At the Extraordinary General Shareholders' Meeting held on March 7, 2022, it was approved to cancel 424,991,364 ordinary shares, Class I, Series "B" representing the Company's capital stock, equivalent to 60,713,052 AXTELCPOs, from the acquisition program of own shares that were in the treasury of the Company.

As a consequence of the foregoing, the reduction of the capital stock in its fixed part in the amount of $9.7 million was resolved, an amount that is equal to the theoretical value of the canceled shares.

In 2021 there were no variations in the Company's capital stock, therefore, as of December 31, 2021, the number of shares representing Axtel's capital stock was 20,249,227,481 shares.

2.17) Dividends

In accordance with Mexican law, the power to decree dividends is reserved to the Company's shareholders, meeting in a general assembly, and subject to compliance with certain quorum requirements. Generally, the dividend decree is based on a recommendation made by the Company's Board of Directors, although such recommendation is not required by law. Additionally, in accordance with Mexican legislation, the Company can only pay dividends charged to retained earnings reflected in the financial statements approved by the shareholders' meeting once the losses of previous years have been amortized and after setting aside at least 5% of its net income (after profit sharing and other mandatory deductions under Mexican law) to constitute a legal reserve until the amount thereof is equivalent to at least 20% of its capital stock.

The amount and payment of future dividends will be subject to the provisions of the law and will depend on the factors that the Board of Directors or the Assembly of Shareholders of the Company deem appropriate to take into consideration, including the results of operation, the financial situation, the capital needs, investments in acquisitions and other growth opportunities, legal restrictions, contractual restrictions established in the contracts and other documents related to the debt instruments issued by it or issued in the future, as well as the capacity of the subsidiaries of the Company to generate and channel resources to the latter. Said factors may limit or prevent the payment of dividends in the future and may be taken into consideration both by its Board of Directors when recommending, and by the Shareholders' Meeting when approving, any payment of dividends in the future.

In addition, the Company's credit agreements may contain provisions that limit the Company's ability to declare or pay cash dividends.

Currently, the Board of Directors of the Company does not contemplate adopting a fixed dividend policy. In any case, the dividends that it decrees and pays could be limited by its operating and financial results, including those derived from extraordinary events, as well as by the risks described in the "Risk Factors" section of this Annual Report, which could affect the financial situation and liquidity of the Company. In this context, the Company cannot guarantee that it will pay dividends in the future, nor the amount thereof in case they were paid.

3. FINANCIAL INFORMATION

I.

Concept *(in thousands of pesos)*	**2023**	**2022**	**2021**
Revenues	10,955,886	10,479,596	11,389,494
Gross profit (loss)	5,686,578	5,315,571	5,603,766
Operating profit (loss)	575,741	173,872	292,248
Net profit (loss)	314,306	(38,814)	(796,742)
Net profit (loss) per share	0.016	(0.002)	(0.040)
Property and equipment acquisition	(1,340,407)	(1,331,461)	(1,532,512)
Depreciation and amortization	2,450,587	2,806,263	3,179,364
Total assets	16,709,153	18,351,397	19,974,459
Total long-term liabilities	11,274,505	12,251,419	13,594,989
Acc. Receivables Rotation	6.59	6.22	5.61
Acc. Payables Rotation	4.96	4.62	4.03
Inventory Rotation	54.69	62.91	64.52
Total Capital	3,116,835	2,850,407	2,869,856
Cash dividends per share	0	0	0

3.1) Selected Financial Information

On January 1, 2012, the Company adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as its accounting framework to prepare and present its Audited Financial Statements.

Some of the figures included in this Report were rounded to facilitate their presentation. The percentages included in this Report are not necessarily calculated based on rounded figures, but in some cases are based on non-rounded figures. For this reason, it is possible that some of the percentages included in this Report are different from those that would be obtained in the corresponding calculation based on the figures included in the Audited Financial Statements. In addition, it is possible that some of the figures included in this Report do not equal the arithmetic sum of the corresponding items due to rounding.

The following table contains a summary of the consolidated financial information as of December 31, 2023, 2022 and 2021 and for the years then ended, derived from the information contained in the audited consolidated Audited Financial Statements attached to this Annual Report.

The information presented below should be read in conjunction with "Management's Comments and Analysis on the Financial Situation and Results of Operations" and the Audited Financial Statements and notes attached to the Annual Report.

(in million pesos)	**Years ended January 31,**		
	2023	**2022**	**2021**
Income Statement:			
Revenues	10,955.9	10,479.6	11,389.5
Operating costs and expenses [(1)]	(10,380.1)	(10,305.7)	(11,097.2)
Operating profit	575.8	173.9	292.2
Interest expense, net	(977.9)	(772.2)	(1,163,8)
Exchange gain (loss), net	655.4	511.3	(277.6)
Profit (loss) before taxes	253.3	(87.0)	(1,149.1)
Income taxes	61.0	48.2	352.4
Net Profit (Loss)	314.3	(38.8)	(796.7)
Profit (Loss) per share:			
Profit (Loss) per basic share: Basic and diluted:	0.016	(0.002)	(0.040)
Weighted average of common outstanding shares (in millions):	19,809.6	19,824.2	19,829.5
Dividends decreed per share	—	—	—

Other Financial information:			
Depreciation, amortization and impairment of long-life assets	2,466.6	2,837.1	3,500.3
EBITDA [(2)]	3,429.9	3,011.0	3,792.5
EBITDA as percentage of revenues	31.3%	28.7%	33.3%

(1) This means cost of sale and services, plus administrative and selling expenses, plus depreciation and amortization, plus other operating income (expenses).

(2) For the purposes of the Company, it has been defined as the result of adding to the operating profit, the depreciation and amortization and impairment of assets. Not audited. 2023 figure, excludes organizational expenses of 387.6 million pesos.

(in million pesos)	Years ended December 31,		
	2023	**2022**	**2021**
Statement of Cash Flows:			
Net Cash Flow from:			
Operating Activities......................	2,809.9	3,207.9	3,291.6
Investing Activities	(1,310.8)	(1,207.3)	(1,268.3)
Financing Activities	(1,731.0)	(2,040.3)	(3,601.6)
(Net decrease) Net increases in cash or cash equivalents	(231.9)	(39.7)	(1,578.4)

(in million pesos)	Years ended December 31,		
	2023	**2022**	**2021**
Balance Sheet:			
Cash and equivalents......................	1,207.2	1,542.8	1,613.7
Net working capital [(1)].....................	655.6	183.1	236.0
Total assets.....................................	16,709.2	18,351.4	19,974.5
Total debt.......................................	10,630.5	11,881.1	12,827.4
Total liabilities	13,592.3	15,501.0	17,104.6
Total stockholder's equity	3,116.8	2,850.4	2,869.9
Net assets [(2)]	11,361.9	9,227.2	10,369.0
Capital common stock	454.6	454.6	464.4
Weighted average of outstanding shares (in millions)	19,809.6	19,824.2	19,829.5

(1) Net Working Capital is calculated by subtracting Cash and Equivalents, Accounts Payable and Accumulated Liabilities, Payable taxes and other accounts payable from Current Assets.

(2) Net Assets is calculated by adding Net Working Capital to Property, plant and equipment, net.

3.2) Financial Information per Line of Business

The Company's Board of Directors and the CEO evaluate the Company's performance by monitoring the results by segment and by type of service.

	2023				2022				2021			
(in million pesos)	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q
TOTAL REVENUES	**2,746**	**2,631**	**2,782**	**2,798**	**2,547**	**2,544**	**2,736**	**2,652**	**2,835**	**2,983**	**2,759**	**2,812**
WHOLESALE	**445**	**462**	**475**	**407**	**400**	**490**	**586**	**457**	**616**	**773**	**580**	**593**
ENTERPRISE	**1,942**	**1,961**	**2,016**	**2,018**	**1,857**	**1,866**	**1,902**	**1,914**	**1,879**	**1,884**	**1,875**	**1,853**
Standard Services	1,233	1,225	1,223	1,216	1,214	1,198	1,218	1,225	1,315	1,252	1,231	1,207
Value-added	250	277	302	319	241	281	243	271	222	264	251	261
Digital Transformation	459	459	491	483	402	387	441	418	342	368	393	385
Government:	**358**	**208**	**291**	**372**	**290**	**188**	**249**	**281**	**339**	**326**	**304**	**367**
Standard Services	97	116	119	92	124	86	92	147	160	127	150	158
Value-added	205	58	112	188	85	41	104	88	93	130	80	116
Digital Transformation	56	34	59	92	81	61	53	46	86	69	74	93
COSTS & OPERATING EXPENSES(1)	**(2,072)**	**(1,922)**	**(2,018)**	**(1,912)**	**(1,835)**	**(1,847)**	**(1,988)**	**(1,905)**	**(1,919)**	**(1,850)**	**(1,851)**	**(1,945)**
Reorganization Charges	(189)	-	-	(198)	-	-	-	-	-	-	-	-
OTHER REVENUES (EXPENSES)	**63**	**55**	**37**	**243**	**6**	**4**	**42**	**56**	**(1)**	**8**	**3**	**(43)**

(1) Does not include depreciation, amortization and impairment of long-term assets.

Revenues

The Company obtains its revenues from the following categories:

Alestra (Services):

(i) *Enterprise Segment*: The Company provides services to the enterprise segment, including medium and large companies, corporations and financial institutions.

- *Standard*: The main services provided are:
  - *Voice:* Local and international long-distance calls to fixed and mobile phones, international traffic (transportation or termination of calls originated outside of Mexico), 800 number services and voice over IP, among others.
  - *Data and Internet:* Private lines, links and dedicated internet.
  - *VPN & Ethernet.*

- *Value-added:* The main services provided are:
  - *Systems Integration*
  - *Managed services*

- *Digital Transformation:* The Company generates revenues by providing cloud, cybersecurity, managed applications and collaboration services.

(ii) *Government Segment*: The Company provides the same Standard, Value-added and Digital Transformation services previously described to federal, state and municipal government entities.

Axnet (Infrastructure):

The Company provides fixed (including Alestra) and mobile (national and international) operators, data center and tower operators, internet giants, a wide range of services based on its fiber optic network and spectrum, such as last-mile access, IP transit, fiber (dark and lit), fiber-to-the-tower, fiber-to-the-data center, spectrum and collocation.

The following table summarizes the revenues and percentage of revenues by business unit.

(in million pesos)	2023	2022	2021	2023	2022	2021
TOTAL REVENUES	**10,956**	**10,480**	**11,389**	**100%**	**100%**	**100%**
WHOLESALE	**1,790**	**1,933**	**2,562**	**16%**	**18%**	**22%**
ENTERPRISE	**7,937**	**7,540**	**7,491**	**72%**	**72%**	**66%**
Standard Services	4,897	4,856	5,005	45%	46%	44%
Value-added	1,148	1,037	998	10%	10%	9%
Digital Transformation	1,892	1,647	1,488	17%	16%	13%
GOVERNMENT	**1,229**	**1,007**	**1,336**	**11%**	**10%**	**12%**
Standard Services	424	448	595	4%	4%	5%
Value-added	563	318	419	5%	3%	4%
Digital Transformation	242	241	322	2%	2%	3%

Costs and Operating Expenses

The Company's costs are classified as follow:

- Cost of sales and services includes charges for leased lines, normally paid on a per circuit per month basis to last-mile access suppliers, interconnection costs, including local and resale access charges, paid on a per minute basis and payments to international operators paid on a per minute basis to complete international calls originated in Mexico. Also, costs related to billing, receipt of payments, operator services and private leased links.
    - Operating expenses consist mainly of selling and administrative expenses, such as: wages and salaries, maintenance expenses, advertising, energy and fuel consumption, travel expenses, leasing expenses, professional fees, among others.
    - Depreciation and amortization include the depreciation of all the telecommunications network infrastructure and equipment and the amortization of pre-operative expenses, as well as the cost of licenses for the use of radioelectric spectrum and others.

3.3) <u>Relevant Credit Agreements</u>

As of December 31, 2023, 2022 and 2021, the balance of Axtel's debt was Ps. $10,631, 11,881 million and Ps. 13,343.7 million, respectively. The following table shows the integration in million Pesos:

Description	As of December 31, 2023	As of December 31, 2022	As of December 31, 2021
Bank loan with Bancomext at TIIE + 2.1% maturing on August 31, 2028. Interests are payable quarterly.	$ 3,026	$ 3,026	$ 3,155
Syndicated bank loan with nine financial institutions maturing on April 15, 2028. Interest payable quarterly at a rate of 3-month SOFR + 3.25% per year.	3,548	-	-
Syndicated bank loan with nine financial institutions maturing on April 15, 2028. Interest is payable monthly at a rate of TIIE 28 days + 3.25% per year.	972	-	-
Bilateral loan with Export Development Canada maturing on January 26, 2028. Interest is payable monthly at a rate of TIIE 28 days+ 3.55%.	1,689	-	-
Bilateral loan with the International Finance Corporation maturing on November 15, 2030. Interests payable quarterly SOFR 3M + 3.40%.	1,014	-	-
Senior Notes maturing on November 14, 2024. Interest is payable semi-annually at a rate of 6.375% per year.	-	7,788	9,057
Bilateral Credit with Export Development Canada maturing on June 24, 2024. Interest is payable monthly at a rate of TIIE 28 days + 1.75%.	-	-	50
Bilateral Credit with Export Development Canada maturing on June 24, 2024. Interest is payable monthly at a rate of Libor 1M + 2.00%.	-	523	556
Lease liabilities	261	321	484
Other credits	42	122	25
Accrued interest payable	172	104	100
Debt issuance costs	-93	-53	-83
TOTAL	**$10,631**	**$11,881**	**$13,344**

In addition to short and long-term financial liabilities that are reflected in the Audited Financial Statements, the Company does not have any tax debts and the principal and interest payments have been made on time. There is no priority in the payment of the credits mentioned above.

On December 6, 2023, Axtel formalized a US$60 million credit facility with the International Finance Corporation ("IFC"), a member of the World Bank Group, at an interest rate of SOFR + 3.40% maturing on November 15, 2030, linked to environmental and social commitments. The long-term credit facility will allow Axtel to finance the strategic deployment of its fiber optic network towards telecommunication towers and data centers, driving the development of digital infrastructure in Mexico, as well as extending the maturity profile of its debt. The outstanding balance of said credit facility as of March 31, 2024 was US$60 million.

Axtel's current long-term bank debt contracts contain restrictions, mainly in terms of compliance with certain financial ratios, including:

- Interest coverage ratio. Defined as profit before the financial result, income taxes, depreciation, and amortization for a period of the last four quarters, divided by the net financial expenses of the last four quarters. As of December 31, 2023, this factor cannot be less than 2.75 times.
  Leverage ratio. Defined at any time of its determination, as the result of dividing the consolidated net debt as of such date, by the profit before financial result, income taxes, depreciation and amortization for a period of the last four preceding quarters. As of December 31, 2023, this ratio should not exceed 3.75 times.

As of the date of this Annual Report, Axtel is in compliance with the obligations to do and not to do contained in its credit agreements. Said obligations, among other conditions and subject to certain exceptions, require or limit the ability of Axtel's subsidiaries to:

- Issue certain financial information;
- Maintain accounting books and records;
- Maintain the assets in adequate conditions;
- Comply with applicable laws, regulations and provisions;
- Incur additional indebtedness;
- Pay dividends;
- Grant liens on assets;
- Enter into operations with affiliates;
- Carry out a consolidation, merger or sale of assets, and;
- Enter into sales operations with a lease agreement (*sale and lease back*).

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

The operating results for the years ended December 31, 2023, 2022 and 2021 are presented below, as well as the financial situation as of December 31, 2023, 2022 and 2021.

3.4.1) 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 serve:

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 was 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.

Operating results for the years ended December 31, 2022 and December 31, 2021

Revenues

Total revenues for 2022 were Ps. $10,480 million, a decrease of 8.0% compared to Ps. $11,389 million during 2021, due to 24.6% decreases in both the Wholesale and Government segments revenues, partially mitigated by a 0.6% increase in the Enterprise Segment.

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

Wholesale Segment (Infrastructure)

Wholesale segment revenues for 2022 were Ps. $1,933 million, a 24.6% decrease compared to Ps. $2,562 million during 2021. The decrease was due to declines in dark fiber contracts, along with lower revenues from a wholesale mobile operator customer.

Enterprise Segment

During 2022, revenues from the Enterprise Segment totaled Ps. $7,540 million, a 0.6% marginal increase compared to Ps. $7,492 million during 2021, due to a 3.0% decrease in standard services, partially mitigated by increases of 3.9% and 10.7% in value-added services and digital transformation services, respectively.

Standard Services. In 2022, Standard Services revenues were Ps. $4,856 million, a 3.0% decrease compared to Ps. $5,005 million during 2021, mainly due to a 12% drop in voice revenues, due to its decreasing technological trend and the adoption of collaboration solutions. On the other hand, revenues from Data, Internet, VPN & Ethernet and hosting solutions increased 2%.

Value-Added Services. Value Added revenues in Alestra's Enterprise segment in 2022 were Ps. $1,037 million, representing an increase of 3.9%, compared to Ps. $999 million during 2021, due to 13.5% increases in systems integration, partially mitigated by a 1.3% decline in managed services revenues.

Digital Transformation. During 2022, revenues were Ps. $1,647 million, an increase of 10.7% compared to Ps. $1,488 million during 2021, mainly due to a combined 20% increase in cloud services and cybersecurity.

Government Segment

Revenues from the Government Segment for 2022 were Ps. $1,007 million, compared to Ps. $1,336 million during 2021, a 24.6% decrease. These results are explained by lower recurring revenues due to the termination of contracts with federal entities. However, during the year the strategic vision and commercial team were reinforced, laying the foundations to expand opportunities and positioning in new states and federal entities, growing opportunities during the year and going forward, which was evidenced in a sequential recovery during 2022, with a 10% increase in revenues in the second semester compared to the first semester.

Standard Services. In 2022, revenues were Ps. $448 million, representing a 24.6% drop compared to 2021, mainly due to a decrease in Internet, Hosting and VPN solutions.

Value-added Services. During 2022, revenues were Ps. $318 million, 24.2% lower compared to 2021 mainly due to a drop in system integration solutions.

Digital Transformation. Digital Transformation revenues in the Government segment, for 2022, were Ps. $241 million, representing a 25.1% reduction compared to 2021, mainly due to drops in cybersecurity and collaboration.

Gross Profit

Gross profit is defined as sales minus cost of revenues. For the year 2022, gross profit was Ps. $. 5,316 million, 5.1% lower than in 2021. Gross profit by business unit, without considering the depreciation and amortization cost of sales, is explained below.

Enterprise. Gross profit in 2022 totaled Ps. $5,525 million, 0.5% lower than 2022, in line with the revenue performance.

Government. Gross profit in 2022 reached Ps. $564 million, an increase of 2.2% compared to the same period of the previous year.

Wholesale. Gross profit was Ps. $1,597 million, a 25.6% decrease compared to the same period of the previous year and in line with the revenue decline described above.

Operating expenses and Other income (expenses)

Selling and administrative expenses reached Ps. $5,218 million in 2022, these increased 5.2% compared to 2021. Administrative and selling expenses by segment, excluding depreciation and amortization, increased 8.1%, mainly as a result of an allowance for bad debt provisions associated with a wholesale mobile operator.

Other income (expenses) was Ps. $76 million during 2022, mainly from gains in asset sales and other organizational efficiencies; compared to Ps. $(354) million of expenses in 2021, mostly related to the impairment of investments during the fourth quarter of the year.

EBITDA

EBITDA reached Ps. $3,011 million, 20.6% lower than in 2021. In 2022, the EBITDA margin reached 29%, lower than 33% in 2021, mainly due to higher operating expenses, as well as a lower gross profit from the Wholesale segment, as previously mentioned.

Operating Income

2022 recorded an operating income of Ps. $174 million, compared to Ps. $292 million in 2021, mainly due to a drop in EBITDA, partially mitigated by lower depreciation and amortization compared to 2021.

Comprehensive Financing Result

The comprehensive financing result reached Ps. $261 million for 2022, compared to a comprehensive financing result of Ps. $1,441 million in 2021, a decrease of 81.9%, mainly explained by a 33.7% drop in net interest expense, as well as a FX gain of Ps. $511 million due to the appreciation of the Mexican peso against the US dollar in 2022, compared to a FX loss of Ps. $277 million in 2021.

Taxes

During 2022, income tax represented a benefit in taxes of Ps. $48 million, compared to a tax benefit of Ps. $352 million in 2021. The variation is mainly due to the recognition of the effects of inflation in the Company's assets, as well as the changes in tax losses due to the results obtained in the year.

Net Loss

For 2022, the net loss was Ps. $39 million, compared to a net loss of Ps. $797 million in 2021.

Capital Investments

For the year 2022, the capital investment in acquisitions of property, plant and equipment and intangibles totaled Ps. $1,331 million, equivalent to 13% of total revenue; 13% lower compared to Ps. $1,533 million in 2021, equivalent to 13% of total revenue.

3.4.2) Financial Position as of December 31, 2023 and as of December 31, 2022

Assets. As of December 31, 2023, total assets amounted Ps. $16,709 million compared to Ps. $18,351 million as of December 31, 2022, a decrease of Ps 1,642 million, or 9%.

Cash and equivalents. As of December 31, 2023, cash and equivalents totaled Ps. $1,207 million compared to Ps. 1,543 million as of December 31, 2022, a decrease of Ps. $336 million, or 22%.

Accounts Receivable. As of December 31, 2023, accounts receivable totaled Ps. $1,391 million compared to Ps. $1,194 million as of December 31, 2022, an increase of Ps. 196 million, or 16%.

Property, systems and equipment, net. As of December 31, 2023, property, systems and equipment, net, were Ps. $8,254 million compared to Ps. $9,044 million as of December 31, 2022. Property, systems and equipment without discounting accumulated depreciation totaled Ps. $48,962 million and Ps. 48,412 million as of December 31, 2023 and 2022, respectively.

Liabilities. As of December 31, 2023, total liabilities amounted to Ps. $13,592 million compared to Ps. $15,501 million as of December 31, 2022, a decrease of Ps. $1,909 million or 12%, due to a reduction in debt.

Accounts payable. As of December 31, 2023, accounts payable amounted to Ps. $1,361 million compared to Ps. $1,833 million as of December 31, 2022, a decrease of Ps. $472 million, or 26%.

Debt. As of December 31, 2023, net debt was US $563 million, an increase of 5% or US $27 million in comparison with 4Q22; comprised of a US $15 million decrease in debt, a US $33 million non-cash increase in debt caused by a 15% appreciation of the Mexican peso year-over-year and a US $8 million decrease in cash.

Total debt reduction of US $15 million year-over-year is explained by i) a US $402 million decrease related to the 2024 Senior Notes refinancing; ii) a US $260 million increase related to the new 5-year syndicated bank loan with nine financial institutions; iii) a US $100 million increase related to the 5-year bilateral loan with an export credit agency; iv) a US $60 million increase related to the new 7-year bilateral loan with the International Finance Corporation; v) a US $30 million decrease related to the prepayment of the committed facilities and vi) a US $3 million decrease in other loans and financial leases.

Stockholders' equity. As of December 31, 2023, the Company's stockholders' equity amounted to Ps. $3,117 million compared to Ps. $2,850 million as of December 31, 2022, an increase of Ps. $266 million or 9%. Capital stock was Ps. $455 million as of both December 31, 2022 and December 31, 2023.

Cash Flow

As of December 31, 2023, cash flow from operating activities reached Ps. $2,810 million, compared to a cash flow of Ps. $3,208 million as of December 31, 2022.

As of December 31, 2023, the Company had generated (used) cash flows from investing activities for Ps. $(1,311) million, compared to Ps. $(1,207) million as of December 31, 2022. Investments in property, systems and equipment, and intangibles were Ps. $(1,340) million as of December 31, 2023 and Ps. $(1,291) million as of December 31, 2022.

As of December 31, 2023, cash flow (used in) generated by financing activities was Ps. $(1,731) million, compared to Ps. $(2,040) million as of December 31, 2022.

As of December 31, 2023, net debt to EBITDA ratio and the interest coverage ratio were 2.9x and 3.5x, respectively. Likewise, as of December 31, 2022 the net debt to EBITDA and interest coverage ratios were at 3.6x and 3.9x, respectively. Comparable EBITDA excludes extraordinary losses (gains), such as the expense related to organizational efficiencies.

Financial Position as of December 31, 2022 and as of December 31, 2021

Assets. As of December 31, 2022, total assets amounted Ps. $18,351 million compared to Ps. $19,974 million as of December 31, 2021, a decrease of Ps. $1,623 million, or 8%.

Cash and equivalents. As of December 31, 2022, cash and equivalents totaled Ps. $1,543 million compared to Ps. $1,614 million as of December 31, 2021, a decrease of Ps. $71 million, or 4%.

Accounts Receivable. As of December 31, 2022, accounts receivable totaled Ps. $1,194 million compared to Ps. $1,695 million as of December 31, 2021, a decrease of Ps. $501 million, or 30%, mainly due to an increase in the allowance for bad debt related to a mobile wholesale customer.

Property, systems and equipment, net. As of December 31, 2022, property, systems and equipment, net, were Ps. $9,044 million compared to Ps. $10,133 million as of December 31, 2021. Property, systems and equipment without discounting accumulated depreciation totaled Ps. $48,412 million and Ps. $47,995 million as of December 31, 2022 and 2021, respectively.

Liabilities. As of December 31, 2022, total liabilities amounted to Ps. 15,501 million compared to Ps. 17,105 million as of December 31, 2021, a decrease of Ps. 1,604 million or 9%, due to a reduction in debt, mainly due to the open market repurchases of Senior Notes 2024 for US $38 million.

Accounts payable. As of December 31, 2022, accounts payable amounted to Ps. $1,833 million compared to Ps. $2,138 million as of December 31, 2021, a decrease of Ps. $305 million, or 14%.

Debt. As of December 31, 2022, net debt was US $537 million, a decrease of 6% or US $37 million compared to year-end 2021; comprised of a reduction in debt of US $47 million, a non-cash decrease of US $11 million caused by a 6% appreciation of the Mexican Peso year-over-year and an increase in cash of US $1 million.

The reduction of US $47 million in debt compared to the previous year is explained by i) a decrease of US $38 million related to open market repurchases in the open market of the 2024 Senior Notes; ii) a reduction of US $6 million due to the amortization of the long-term facility; and iii) a decrease of US $3 million in other loans and financial leases.

Stockholders' equity. As of December 31, 2022, the Company's stockholders' equity amounted to Ps. $2,850 million compared to Ps. $2,870 million as of December 31, 2021, a decrease of Ps. 19 million or 1%. Capital stock decreased by Ps. $10 million totaling Ps. $455 million as of December 31, 2022, due to the cancellation of shares during the year.

Cash Flow

As of December 31, 2022, cash flow from operating activities reached Ps. $3,208 million, compared to a cash flow of Ps. $3,292 million as of December 31, 2021.

As of December 31, 2022, the Company had generated (used) cash flows from investing activities for Ps. $(1,207) million, compared to Ps. $(1,268) million as of December 31, 2021. Investments in property, systems and equipment, and intangibles were Ps. $(1,291) million as of December 31, 2022, and Ps. $(1,533) million as of December 31, 2021.

As of December 31, 2022, cash flow (used in) generated by financing activities was Ps. $(2,040) million, compared to Ps. $(3,602) million as of December 31, 2021.

As of December 31, 2022, the net debt to EBITDA ratio and the interest coverage ratio were 3.6x and 3.9x, respectively. Likewise, as of December 31, 2021, the net debt to EBITDA and interest coverage ratios were at 3.1x and 3.3x, respectively.

Liquidity and Capital Resources applicable for years 2023, 2022 and 2021

On November 9, 2017, Axtel issued Senior Notes in the international market and listed on the Irish Stock Exchange under a private offering under Rule 144A and Regulation S of the Securities Law from 1933 of the United States of America for an amount of US$500 million and that accrue interest at an annual coupon of 6.375% maturing in 7 years (the "Notes"). The proceeds were mainly used to prepay the existing debt related to the syndicated loan signed on

January 15, 2016 and various transaction costs and expenses. In March 2021, Axtel prepaid US $60 million of its Notes at a price of 104.781%, with the remaining resources from the data center sale transaction formalized in January 2020.

During the second semester of 2022, the Company made repurchases in the open market of its Notes for a total amount of US$38 million with its own resources. Additionally, in January 2023, Axtel launched an offer to purchase up to US$120 million of principal of its Notes. The company received and accepted offers from the holders for US$89 million of principal of the Notes, with its own resources and from existing credit lines.

On January 26, 2023, the Company executed a US $60 million bilateral loan with the International Finance Corporation (IFC), member of the World Bank Group, for a period of seven years, linked to commitments in environmental and social matters. The resources of said loan, in addition to financing the strategic deployment of the Axtel´s fiber optic network towards telecommunications towers and data centers, were used to prepay the total balance drawn from its revolving line with Export Development Canada for an amount of US $40 million (for up to US $50 million), and of which the Company was able to renew it for 3 additional years with a new expiration date in January 2027.

Although the Company believes that it will be able to meet its debt obligations and finance its operating needs in the future with the operating cash flow, the Company may periodically seek to obtain additional financing in the capital market depending on market conditions and its financial needs. The Company will continue to focus its investments on fixed assets and manage its working capital, including the collection of its accounts receivable and the management of its accounts payable.

Tax Liabilities

As of December 31, 2023, the Company did not have relevant tax liabilities.

Commitments regarding Capital Investments

As of December 31, 2023, the Company did not have relevant capital investment commitments.

Non-registered Relevant Transactions

As of December 31, 2023, the Company had no relevant off-record transactions in the Balance Sheet or the Income Statement. As of the date of this report, the Company is in compliance with the obligations to do and not to do contained in its credit agreements. For more information see section 2.15) *Judicial, Administrative or Arbitration Processes.*

3.4.3) Internal Control applicable to years 2023, 2022 and 2021

The Company, through its internal control department, has established adequate control policies and procedures that provide reasonable assure that all operations are carried out, accounted for and reported in accordance with the guidelines established by its management, in accordance with IFRS and its application criteria. The Company considers that it's leading information technology platform, along with its organizational structure, provide the necessary tools to apply such policies and procedures correctly. Likewise, the Company has established and periodically applies internal auditing procedures to its different operating processes.

The Company's internal control is governed by several policies, procedures and controls (automated and manual), ranging from the delivery of services provided by the Company to the way in which goods and services required by the Company are acquired. The following describe some of the Company's internal policies:

- ***Expenses and Procurement Policy***. The objective of this policy is to ensure that all costs or expenses incurred are consistent with the Company's interest and strategies and delegates its authorization to the executive level. This policy includes from the budget allocation that contemplates the expenditure in any concept, until the delivery of the good or service to be acquired, passing through a series of filters such as: the selection of a determined supplier, payment term agreed upon, the form of payment and its execution. The expense and investment budget is authorized at the corporate offices of the Company. The expense budget considers the concept of expenses, the form of requesting for authorization, as well as the levels of the executive personnel that should authorize. In the case of purchase of fixed assets, regardless of the amount, it will be authorized upon delivery of a capital investment authorization request ("SAIC" for its Spanish translation). Any project that is not within the original budget will have to be authorized by Executive management level of the Company.

- ***Accounting Policy***. It contemplates the general guidelines to ensure the correct and timely recording of quantitative transactions and estimates essential for the preparation of the Company's financial statements, attached and in accordance with IFRS.
- ***Uncollectible Reserve Accounts Policy.*** The objective of this policy is to supervise the collection of the accounts receivables portfolio and make the required provisions in a timely manner. This policy establishes the necessary requirements for the determination of the provision of uncollectible accounts and informs the accounting records to be carried out by means of certain provisions and the tax treatment to be applied at the time of the cancellation of the uncollectible accounts.
- ***Treasury Policy.*** Policy intended to properly plan and manage the financial resources necessary for Axtel to develop its operation and expansion plans and maintain effective relations with financial institutions and investors.
- ***Financial Policy:*** The Corporate Finance area will be responsible for anticipating, analyzing, obtaining when applicable, and managing the credit lines or financing required for the development of Axtel's operation and expansion plans, striving to optimize the terms, conditions and obligations established in the financing contracts. In adherence to Axtel's Financing Policy, it is the responsibility of the CFO with the support of the Investor Relations and Financing Manager: (i) to define the financing or refinancing strategy, as well as to negotiate and contract Corporate Financing with prior authorization from the Axtel Executive Committee or Axtel Board of Directors; (ii) for the drawdown and administration of the credit lines; (iii) for debt servicing and strict compliance in a timely manner with all contractual obligations; and (iv) for the definition of the banks and financial intermediaries with which operations must be conducted and the assignment of their roles and/or mandates.

Treasury Policies

Establishes the general framework of the Treasury that allows planning and adequate management of the necessary financial resources so that the Company can develop its operating and expansion plans and maintain effective relationships with financial institutions and investors.

General Guidelines

- Cash Reserves. - The Treasury Department will be responsible for having sufficient Cash Reserves to ensure the liquidity and solvency necessary to comply with the commitments related to the normal development of operations, those derived from capital investments and the financial obligations.
- Risk-to-return ratio. - Treasury activities should be focused on optimizing the risk-return ratio of Axtel´s financial assets, in compliance with the guidelines defined in Axtel´s General Treasury Policy and the obligations established in the financing agreements.
- Risk Management: The Treasury Department will be responsible for managing insurance and guarantees in accordance with the General Treasury Policy. On the other hand, the Corporate Finance and Investor Relations area will be responsible for the administration of the financial derivative instruments that hedge

Axtel's financial position in accordance with the Financial Derivatives Guidelines Annex derived from Axtel's Financing Policy.

- Cash flow planning. - The Treasury department will have the responsibility to plan and regulate the available financial cash flow, based on the analysis of Cash Flow, the scheduling of expenditures, projected revenues and available financing alternatives.
- Payment to suppliers. - The Treasury Department will be responsible for planning and managing Axtel´s Cash Reserves, to honor the payment terms agreed with suppliers, subject to receipt of the invoice with the established requirements by Axtel and according to the financial resources available.
- Contingency Measures. - If Cash Reserves do not ensure the minimum level of liquidity required to comply with Axtel´s commitments, the Treasury Department will be responsible for submitting a plan to the Finance Executive Department to restore the minimum level.
- Waiver. – In the event that a waiver is anticipated due to non-compliance, the Corporate Financing area, with authorization from the Executive Finance Department, must immediately initiate the application process of requesting the waiver.
- Authorizations. - Only those officers of Axtel appointed by the General Shareholders’ Meeting, filed through a Public Notary, or persons empowered in the Treasury Department by such attorneys, may perform the following operations on behalf of Axtel:
    - Grant or subscribe for credit instruments.
    - Guarantee, negotiate, or discount credit securities.
    - Open, operate and close investment and/or checking accounts in the normal course of business operations.
    - Grant bonds, mortgages, pledges or any other general or specific guarantee, or constitute any kind of right in favor of third parties.

General Guidelines for Expenditure Control and Cash Management

- Minimum Cash Reserves. – Axtel must have the Cash Reserves necessary to ensure the daily financial operation of Axtel, considering contingencies. The Cash Reserves must maintain an established minimum daily balance.
- Concentration of collection. - The Treasury Department will be responsible for transferring to the concentrating accounts, daily or whenever deemed necessary, the income received in the collection accounts, to optimize the use of available financial resources.
- Dispersion of funds. - The Treasury Department will be responsible for efficiently managing the Cash Flow available in the concentrating accounts, timely dispersing the required funds to the paying accounts to fulfill Axtel´s acquired paying commitments.
- Payment to suppliers. - The Treasury Department will be responsible for planning and managing the Axtel´s Cash Reserves, to honor the agreed payment terms with suppliers according to the liquidity situation. That is, to maintain an adequate liquidity that avoids any situation that jeopardizes the continuity of the operation of Axtel; which will be a priority of the Treasury, even over terms of payment agreed with suppliers. The minimum standard payment condition will be 90 calendar days after the date of the invoice reception, in justified situations the term will be based on the date of the invoice.
- Special payment conditions to suppliers. - The options of prompt payment, via factoring or extended payments proposed by suppliers will be evaluated jointly by the Treasury and Supply Departments. Any modification to the standard payment terms or terms agreed upon with suppliers, as well as the payment of advances, must be authorized by the Treasury Department and Supply Chain Department, and documented in the purchase file.
- Investment of Surpluses. - The Treasury will be responsible for the investment of surplus resources, optimizing the risk-return ratio and evaluating characteristics of term, rating and marketability, as well as

taking care of reciprocity with the counterparts that support the relationship with Axtel. The investment of surplus resources must comply with the guidelines defined in the General Treasury Policy and the obligations established in current financing agreements (Covenants).

- Foreign currencies exchange. - Operations in the purchase or sale of foreign currency must be carried out with the financial institutions that offers the best available alternative in terms of price, security and timely delivery of resources will proceed. Before closing a foreign currency exchange purchase or sale operation, at least two financial institutions that comply with the current requirements established by the General Treasury Policy must be quoted, as well as documenting the Foreign Currency Purchase-Sale transaction.
- Operation of petty cash fund or fixed funds. - The Treasury Department will have the responsibility to review the proper use, apply periodic bills and endorsements in the areas where the Treasury has authority; in the places where the treasury has no presence, the responsibility will be in charge of the administrative coordinator of such area or of the Internal Control area of Axtel. The Treasury will have the power to authorize, reject or cancel the petty funds or fixed funds assigned to employees of Axtel, in order to ensure the optimal use of resources.
- Bank commissions. - The Treasury Department will be responsible for keeping track of the banking commissions charged to Axtel derived from cash management, establishing continuous monitoring and trying to optimize the costs generated by banking services, with the exception of collection commissions, which will be responsibility of the area of income assurance and payments application.
- Bank float. -The Treasury Department will be responsible for maintaining the minimum necessary bank float balance in checking accounts, in order to optimize the use of available financial resources
- Bank Accounts. - The Treasury Department will be responsible for controlling the opening of bank accounts and administration, to maintain the most appropriate account structure for the needs of Axtel´s financial operation and seeking to optimize available monetary resources.

- Authorizations. - Only those officers of Axtel appointed by the General Shareholders' Meeting, filed through a Notary Public, or persons empowered in the Treasury Department by such attorneys, may perform banking or cash management operations on behalf of Axtel.

3.5) 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.

Axtel 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, arbitrage 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.

4. MANAGEMENT

4.1) <u>External Auditors</u>

The Company’s independent auditor as of January 1, 2017 is Galaz, Yamazaki, Ruíz Urquiza, S.C. member of Deloitte Touche Tohmatsu Limited (“Deloitte”), whose offices are located at Av. Juarez 1102 Piso 40 Centro 64000 Monterrey, Nuevo León, México. The Company's external auditors were appointed by the Company's Board of Directors exercising its powers of legal representation.

For the last three years, the external auditors have issued favorable opinions.

The Certified Public Accountant who, as partner of Galaz, Yamazaki, Ruíz Urquiza, S.C., has signed the opinion issued by the external auditor is Efraín Omar Fernández Mendoza for years 2023, 2022 and 2021.

The Audit and Corporate Practices Committee approves the annual hiring and, if applicable, ratification of the independent external auditor. The external auditor presents a work plan to the Company each year, which is reviewed and approved by the Company and sometimes complemented with specific activities that Management or the Board require. The Company evaluates annually that its external auditor is among the four largest audit firms, that is not part of a situation that could question its impartiality, prestige or experience of its activities, that its economic requirements are within market, among others. Once the Company has performed this evaluation and is aware of the work plan, the proposal is then submitted to the Audit and Corporate Practices Committee for approval.

Fees paid for other professional services during 2023 amounted to Ps. $0.8 million. The total fees paid to the external auditors have been in market terms and do not exceed 10% of the Company's total revenues.

4.2) Certain Relationships and Related Transactions

Balances with related parties as of December 31, 2023, 2022 and 2021, were as follows:

(in thousands)

	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:

(in thousands)

	Year ended December 31, 2023		
	Income	Costs and expenses	
	Telecommunication services	Interests	Others
Affiliates	$ 160,637	$ -	$ 45,933
Total	$ 160,637	$ -	$ 45,933

	Year ended December 31, 2022		
	Income	Costs and expenses	
	Telecommunication services	Interests	Others
Affiliates	$ 166,096	$ -	$ 38,884
Total	$ 166,096	$ -	$ 38,884

	Year ended December 31, 2021		
	Income	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 Ps. $95,565 thousand, Ps. $67,357 thousand and Ps $66,098 thousand 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.

4.3) <u>Senior Management and Shareholders</u>

Pursuant to the Company's bylaws and Mexican Securities Market Law, the Board of Directors is composed of 10 regular members and 1 alternate director. Currently, six proprietary board members are independent pursuant to Mexican Securities Market Law. The Audit and Corporate Practices Committee is currently comprised of three independent proprietary directors.

The information regarding the composition of the executive directors and members of the Board of Directors is detailed below:

Name	Position	Ownership percentage*
Álvaro Fernández Garza[1]	Co-Chairman	
Tomás Milmo Santos[1]	Co-Chairman	6%
Armando de la Peña González	Chief Executive Officer	
Adrián G. de los Santos Escobedo	Chief Financial Officer	
Alicia de la Concepción Saucedo Gutiérrez…	Commercial Development Director	
Andrés E. Cordovez Ferretto	Executive Director Infrastructure and Systems	
Bernardo García Reynoso.............................	Executive Director Enterprise Segment	
Carlos G. Buchanan Ortega	Executive Director Human Capital	
Raúl de Jesús Ortega Ibarra	Executive Director Legal and Regulatory	
Sergio Antonio Bravo García	Executive Director Government Segment	
Armando Garza Sada[1]	Board member	
Patricio Jiménez Barrera[1]............................	Board Member	
Alejandro Miguel Elizondo Barragán[A]..........	Independent Board member	
Eduardo Alberto Escalante Castillo[A]	Independent Board member	
Juan Ignacio Garza Herrera[A] [2]....................	Independent Board member	
Fernando Ángel González Olivieri[2]	Independent Board member	
Ricardo Saldívar Escajadillo [A]	Independent Board member	
Alberto Santos Boesch	Independent Board member	
José Antonio González Flores[1]	Alternate Director	

(1) Patrimonial Director.
(2) Independent Patrimonial Director.
(A) Member of Audit and Corporate Practices Committee.

* Note: Axtel states that, to the best of its knowledge and belief, no relevant director or director of the Company owns more than 1% of its capital, except for those mentioned in this Annual Report.

The aforementioned Board Members were appointed at the Annual General Shareholders Meeting held on March 8, 2024. In accordance with the applicable legislation and the Company's bylaws, the members of the Board of Directors remain in office for thirty days after their resignation unless replaced.

Set forth below is a summary of the experience, functions and areas of expertise of the main officers, board members and alternate board members of Axtel. The business address for said officers and board members is Av. Munich 175, Col. Cuauhtémoc, San Nicolás de los Garza, N.L., México, C.P. 66240.

Co-Chairmen:

Álvaro Fernández Garza
March 27, 1968 (56 years old)

Board Member and Co-Chairman of the Board of Axtel since February 2016 (8 years).

CEO of ALFA, S.A.B. de C.V. (ALFA). Chairman of the Board of Universidad de Monterrey (UDEM) and Chairman of the Board of Directors of Controladora Axtel, ALFA, and Alpek. Member of the Boards of Nemak, Cydsa, and Vitro.

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

Experience:

- ICT Industry: Alestra's Executive Director from 1996 to March 2003.
- Functions: Finance, Operations and Strategic Planning.
- Industries: Telecommunications, Automotive, Consumer Goods and Petrochemical.

Tomás Milmo Santos
November 3, 1964 (59 years old)

Board Member and Co-Chairman of the Board of Axtel since February 2016. Prior to the merger between Axtel and Alestra, he was Board Member of Axtel since 1994 (29 years).

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

He holds a degree in Business Economics from Stanford University.

Experience:

- ICT Industry: Axtel's CEO from 1994 to February 2016.
- Functions: Entrepreneurship, Business Management and Administration.
- Industries: Telecommunications and Energy.

Proprietary Directors:

Armando Garza Sada
June 29, 1957 (66 years old)

Axtel Board Member since February 2016 (8 years).

Chairman of the Board of Directors Nemak. Member of the Boards of Alfa, Alpek, Controladora Axtel, BBVA Mexico, CEMEX, Lamosa and Liverpool.

He holds a BA from the Massachusetts Institute of Technology and an MBA from Stanford University.

Experience:

- Functions: Strategic Planning, Finance and Operations.
- Industries: Industrial, Consumer goods, Petrochemical, Automotive, Construction and Telecommunications.

Patricio Jiménez Barrera
October 29, 1965 (58 years old)

Axtel Board Member since February 2018. Prior to the merger between Axtel and Alestra, he was Board Member of Axtel from 2005 to 2016 (16 years).

Chairman of Abstrix. Member of the Boards of Grupo Tredec and Jumbocel.

He is a Certified Public Accountant and holds a degree from ITESM.

Experience:

- ICT Industry: Axtel's CFO from 1998 to February 2009.
- Functions: Finance, Investment Banking, Administration, Human Resources and Treasury.
- Industries: Telecommunications, Banking and Brokerage House.

Independent Board Members:

Alejandro Miguel Elizondo Barragán
October 14, 1953 (70 years old)

Axtel Board Member since February 2016 (8 years).

He is a member of the Board of Directors of Arca Continental, Grupo Stiva and Museo de Acero.

He holds a degree in Mechanical and Electrical Engineering from ITESM and an MBA from Harvard University.

Experience:

- Functions: Planning, Finance, Business Development and Administration.
- Industries: Steel, Petrochemical and Food and Beverages.

Eduardo Alberto Escalante Castillo
March 27, 1958 (66 years old)

Axtel Board Member since February 2019 (5 years).

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

He is an Electronics and Communications Engineer from ITESM and holds a master's degree from Stanford University.

Experience:

- Telecommunications (ICT) Industry: CEO of Axtel from January 2021 to April 2022
- Functions: Finance and Strategic Planning
- Industries: Telecommunications, Petrochemicals, Food and Steel.

Juan Ignacio Garza Herrera
November 26, 1966 (57 years old)

Axtel Board Member since February 2016 (8 years).

CEO of Xignux. He was Chairman of COMCE Noreste and has been a Board Member of Xignux, *Consejo Mexicano de Negocios* (CMN), BBVA Mexico (Regional Noreste), UDEM, ICONN, Cleber and of the *Instituto Nuevo Amanecer, A.B.P*. He was Chairman of *Cámara de la Industria de Transformación de Nuevo León*.

He holds a degree in Mechanical Engineering from ITESM and an MBA from the University of San Francisco.

Experience:
- Functions: Manufacturing, International Trade and Human Capital.
- Industries: Electrical and Food.

Fernando Ángel González Olivieri
October 2, 1954 (69 years old)

Axtel Board Member since February 2016. Prior to the merger between Axtel and Alestra, he was Board Member 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 holds a BA and MBA from ITESM.

Experience:
- Functions: Business Management, Strategic Planning, Business Development, Climate Change/Sustainability and Digital Transformation.
- Industries: Steel and Heavy Construction Materials.

Ricardo Saldívar Escajadillo
November 20, 1952 (71 years old)

Axtel Board Member since February 2016 (8 years).

Private investor. Member of the Boards of FEMSA and Grupo Industrial Saltillo and current Chairman of the Board of Directors of Tecnológico de Monterrey . Former 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 ALFA companies for nearly 21 years.

He holds a degree in Mechanical Engineering Administration from ITESM, with a Master´s degree of Science in Systems Engineering from Georgia Tech, with studies in Senior Management from IPADE.

Experience:

- ICT Industry: CFO of Alestra from 1996 to January 1999.
- Functions: CEO.
- Industries: Industrial, Construction and Real Estate.

Alberto Santos Boesch
August 26, 1971 (52 years old)

Axtel Board Member since February 2016, prior to the merger between Axtel and Alestra, he was a Board Member of Axtel since 2013 (11 years).

President and CEO of Ingenios Santos. Board member of Gruma, BBVA Bancomer, Interpuerto Monterrey, Comité del Desarrollo del I.T.E.S.M., Instituto Nuevo Amanecer, Renace, Red de Filantropía de Egresados y Amigos del Tec, Comité del Consejo Consultivo de la Facultad de Ciencias Políticas y Administración Pública de la UANL, Unidos por el Arte contra el Cáncer Infantil (UNAC) and Patronato del Hospital Metropolitano.

He holds a degree in International Studies from UDEM.

Experience:

- ICT Industry: CFO of Alestra from 1996 to January 1999.
- Functions: Business Management and Philanthropy.
- Industries: Aviation, Food and Entertainment.

Alternate Directors:

José Antonio Gonzáles Flores
May 5, 1970 (53 years old)

Alternate Board Member of Axtel since February 2016.

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

He holds an Industrial and Systems Engineering degree from ITESM and an MBA from Stanford University.

Experience:

- Functions: Finance and Strategic Planning.
- Industries: Heavy construction materials.

Senior Management:

Armando de la Peña
Chief Executive Officer (57 years old)

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 occupying 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 General Director of Terza.

He is an Industrial and Systems Engineer from the Tecnológico de Monterrey (ITESM) and has Executive programs at Stanford University, Wharton, Harvard and IPADE, among others. He is a member of Sociedad Americana de Avalúos.

Adrian de los Santos Escobedo
Chief Financial Officer (55 years old)

He held the position of Corporate Finance and Investor Relations Director at Axtel until February 15th, 2017. Prior to joining Axtel in April 2006, he worked at Operadora de Bolsa y Banca Serfin (now Santander México) 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 Business Administration from ITESM, with a Master's in Finance from the Carroll School of Management of Boston College.

Alicia de la Concepción Saucedo Gutiérrez
Commercial Development Director (50 years old)

Joined Alestra in 1999. With over 25 years of experience in the company, she has held different positions in areas such as: Offerings, Go to Market IT, among others. In 2021, she assumed the position of Telecom Solutions Design Director, laying the foundations for the business line specialization strategy. Currently, as head of the Commercial Development Department at Axtel, she is responsible for the company's marketing strategy.

She holds a Bachelor's degree in Marketing from ITESM, with Diplomas in Telecommunications from the same institution, and Diplomas in Commercial Strategies and Finance from ITAM.

Andrés Eduardo Cordovez Ferretto
Executive Director Infrastructure and Systems (55 years old)

He served as Executive Director of Technology and Operations in Axtel from October 2013 to January 2016. Prior to this position, he was the Director of Information Technologies and Processes. In his 27 years of professional experience, he has held various executive positions in national and multinational companies in the telecommunications, financial and services industries, being responsible for different functions such as technology, innovation, operations, customer service and sales.

He holds a bachelor’s degree in Computer Systems Engineering from ITESM and obtained a certificate degree in Senior Management from IPADE. He has completed executive development courses at the universities of Wharton, Stanford and the London Business School.

Bernardo García Reynoso
Executive Director Enterprise Segment (65 years old)

Joined Alfa in 1985 and joined Alestra as of its founding in 1996, holding various positions in the Sales, Marketing, Strategic Alliances, Administration and Human Resources departments. He served as the Finance Director for Alestra for seven years prior to the merger between Axtel and Alestra, upon which he took over the position of Executive Director of Planning and Development for Axtel in 2016.

He holds a degree in Industrial and Systems Engineering from ITESM, with a Master's in International Commerce from Universidad de Monterrey and an MBA from the International Institute for Management Development (IMD) of Luasanne, Switzerland.

Carlos Guillermo Buchanan Ortega.
Executive Director Human Capital (64 years old)

Former Managing Partner of B&S Consultores and Human Resources Director at Alestra. He served as the Human Resources Director at Telefónica Movistar, Commercial Banking at Grupo Financiero Bancomer, Bimbo, Black & Decker and Prolec G.E. He was Executive Chairman of ERIAC Capital Humano and is now a member of the board. He is a Curriculum Advisor at UDEM, Employability Advisor at Tec Milenio, Advisor to Movimiento Congruencia AC, a member of the Study Group and guest Monitor for the D1, D2 and Medex programs at the IPADE. 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 in Organizational Development and Administration from UDEM, as well as postgraduate studies at IPADE and Kellogg University.

Raúl Ortega Ibarra
Executive Director Legal and Regulatory (67 years old)

He served as Director of Government and Legal Relationships at Alestra since 1996, where he later served as Director of International Business and Communications between 2001 and 2007. Previously, he was Director of Regulatory Matters of AT&T Corp. in Mexico and former leader and founder of the representative office for Mexican business bodies in Washington, D.C.

He graduated from Universidad Iberoamericana, with executive studies in Political Economy and Management from Stanford University.

Sergio Antonio Bravo García
Executive Director Government Segment (58 years old)

He joined Alestra in 1996, where for more than 25 years, he has overseen 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 Position.

He is a Computer Systems Engineer from ITESM with a Master’s degree in Administration from the same institution. He attended various executive programs at the Universities of Stanford, Wharton, Chicago and London Business School.

A description of the relationship of some of the members of the Board of Directors and Executive officers of the Company is presented as follows:

- Álvaro Fernandez Garza and Armando Garza Sada are cousins.
- Tomás Milmo Santos is cousin of Alberto Santos Boesch and is Patricio Jiménez Barrera’s brother-in-law.

Axtel declares that, to the best of its knowledge, no director or senior officer of the Company owns more than 1% of its capital, except for Co-Chairman Tomás Milmo Santos.

Beneficiary shareholders of more than 10% of the issuer's capital stock, shareholders who exercise significant influence and shareholders who exercise control or power of command

On July 12, 2022, ALFA's shareholders approved the spin-off of their shareholding in Axtel into a new entity called Controladora Axtel. On May 29, 2023, Controladora Axtel began trading on the Mexican Stock Exchange (BMV), where ALFA's shareholders received one share of Controladora Axtel for each of their ALFA shares.

Therefore, the beneficiary shareholder with more than 10% of the Company's capital stock is Controladora Axtel, which holds 53.9% of the Issuer's capital stock through a trust agreement entered into with Banco Invex, S.A., Institución de Banca Múltiple, Invex Financial Group.

Controladora Axtel and a group of shareholders holding 19.8% of the Capital stock of Axtel (the "Obligated Shareholders"), which entered into a shareholders’ agreement for the purpose of regulating their relationship as shareholders of the Company, as well as the transfer of shares by such shareholders. This shareholders’ agreement includes, among other provisions, rules for the appointment of Axtel's board of directors, qualified majority matters at general shareholders' meetings, preferential rights in the case of share transfers, joint sale rights and forced sales rights (the “Shareholders’ Agreement”). In order to implement the agreements established in the Shareholders’ Agreement, Controladora Axtel and the Obligated Shareholders entered into a management trust agreement, to which all their shares were deposited, which together represent approximately 73.7% of the total shares of Axtel. The minimum percentage adjustments were derived from the cancellation of treasury shares approved at the Extraordinary General Shareholders' Meeting on March 7, 2022 and March 8 2024, in which the fixed portion of the share capital was reduced.

The Issuer is not controlled, directly or indirectly, by a foreign government, or by any other physical or legal person. Additionally, Axtel declares that there have been no significant changes in the last three years in the ownership percentage held by the main shareholders, except for what is mentioned in the previous paragraph. The Issuer is not aware of any commitment that could mean a change of control.

The Issuer is not aware of any commitment that could mean a change of control in its shares.

Axtel has a Code of Ethics that establishes the basic guidelines governing relationships between board members, employees, customers, competitors, creditors, suppliers, government, shareholders, business partners and other stakeholders. This code contains the main guidelines and norms related to the values and ethical principles on which the organization is based and which must be observed and fulfilled in the development of activities, seeking a productive work environment, promoting the conservation of natural resources and the environment, the best corporate governance practices, compliance with current legislation, respect for human rights, equity and diversity, avoiding situations of conflict of interest, bribery, corruption, discrimination and harassment.

Additionally, in accordance with the Internal Regulations of the Mexican Stock Exchange, the Secretary of Axtel annually informs the members of the Board of Directors of the obligations, responsibilities and recommendations of the Professional Code of Ethics of the Mexican Stock Exchange Community, of the Code of Best Corporate Practices and of the other applicable legal provisions of the LMV, the Provisions, the Regulations and other applicable.

Description of the Personal Inclusion Policy / Program

Axtel has internal programs for labor inclusion, considering, among others, the academic formation, professionalism, professional trajectory and congruence with the values of the Company, without making distinction by diversity factors such as gender, race, nationality and/or personal beliefs.

Powers of the Board of Directors

The following are the main functions of the Board of Directors and its Committees:

The Board of Directors is responsible for the legal representation of the Company and is authorized to perform any act which is not expressly reserved to the Shareholders' meetings. Under the LMV, some of the main matters that must be approved by the Board of Directors include:

- transactions with related persons that arise from the regular course of operations of the Company;
- acquisitions or transfers of a substantial part of the assets of the Company;
- the granting of guarantees with respect to third party obligations and
- other relevant transactions.

The sessions of the Board of Directors, as well as the sessions of the Board of Directors' auxiliary committees, may be held in person or through the use of electronic, optical or any other technology means, as if they were in-person sessions, with some or all attendees participating either in person or through electronic, optical or any other technological means, all having the same validity. The decisions of the Board, as well as those of the Board of Directors' auxiliary committees, may be made through the use of electronic, optical or any other technology means.

The meetings of the Board of Directors are deemed legally convened when the majority of its members are present and its resolutions are valid when adopted by vote of a majority of Directors present whose personal interests with respect to a particular case are not contrary to the Company. The Co-Chairmen of the Board of Directors have the casting vote in case of a tie.

Under the LMV, the board of directors must resolve on the following matters, among others:

- establish the overall strategies for managing of the Company;
- approve, subject to prior review of the Audit and Corporate Practices committee, (i) the policies and guidelines for the use of the property the Company by related persons and (ii) each individual transaction with related persons the Company might intend to carry out, subject to certain restrictions and any transaction or series of unusual or nonrecurring transactions involving the acquisition or disposition of property, the granting of guarantees or assumption of liabilities totaling not less than 5% in the consolidated assets of the Company;
- appointment and dismissal of the CEO of the Company and its integral compensation and policies for the appointment of other key officers;
- financial statements, accounting policies and guidelines on internal control of the Company;
- hiring of external auditors;
- approve the disclosure policies of relevant events; and
- make decisions regarding any other matter of interest.

Axtel has a Code of Conduct, which covers the application to all employees, including members of the Board of Directors and Relevant Executives, however, the Secretary of the Board of Directors makes it known annually to the Directors and Relevant Executives of the obligations, responsibilities and recommendations of the Code of Professional Ethics of the Mexican Stock Market Community, of the Code of Principles and Best Practices of Corporate Governance and of the other applicable legal provisions of the LMV, of the General Provisions , of the Internal Regulations of the Bolsa Mexicana de Valores, S.A.B. de C.V. and others applicable.

In addition to the Code of Ethics and the Code of Conduct of the Company, the LMV requires the board members to have duties of care and loyalty.

All members of the Board of Directors and Relevant Directors of public limited companies, upon accepting their position as such, assume certain obligations, responsibilities and duties, which must be adhered to for the performance of their duties, always subject in accordance with the applicable legal, statutory and regulatory provisions, of which the main rules and guidelines, among others, are: act in accordance with the applicable provisions and sound market practices, act with honesty and integrity, prevail the interest of the investors, avoid conflicts of interest, provide truthful and clear information, provide security in the handling of confidential and/or privileged information, seek fair competition of services, act with the duty of fiduciary responsibility seeking to create value, comply with the duty of diligence, and act with the duty of loyalty before the Company.

The duty of care means that the directors of the Company must act in good faith and in the best interest of it. The board members of the Company are required to ask the CEO, managers and external auditors for any relevant information reasonably required for decision making. Board members meet their duty of care primarily through attendance at meetings of the Board and its committees and the disclosure during such sessions, of any important information obtained by them. The board members who fail in their duty of care may be jointly liable for the damages caused to the Company or its subsidiaries.

The duty of loyalty means that board members of the Company must maintain confidentiality regarding information which they acquire by reason of their positions and should not participate in the deliberation and vote on any matter in which they have a conflict of interest. Board members will incur disloyalty against the Company when they obtain economic benefits for themselves, when knowingly promote a particular shareholder or group of shareholders or take advantage of business opportunities without a waiver from the board. The duty of loyalty also means that directors must (i) inform the audit committee and external auditors all the irregularities of acquiring knowledge during the performance of their duties and (ii) to refrain from spreading false information and order or cause the omission of the registration of operations carried out by the Company, affecting any concept of its financial statements. Board members who fail in their duty of loyalty may be subject to liability for damage caused to the Company or its subsidiaries as a result of acts or omissions described above.

Board members can be subject to criminal penalties consisting of up to 12 years imprisonment for committing acts of bad faith involving the Company, including the alteration of its financial statements and reports.

Responsibility for damages resulting from the violation of the duties of care and loyalty of directors may be exercised by the Company or for the benefit of it by shareholders who individually or collectively, hold shares representing 5% or more of its capital stock. Criminal proceedings may only be brought by the *Secretaría de Hacienda y Crédito Público* ("SHCP") after hearing the opinion of the CNVB.

Board members will not incur in the responsibilities described above (including criminal liability) when acting in good faith, they: (i) comply with the requirements established by applicable laws for the approval of matters concerning the board of directors or its committees, (ii) make decisions based on information provided by relevant executives or others whose capacity and credibility are not subject to reasonable doubt and (iii) select the most suitable alternative to the best of their knowledge and understanding, or the negative economic effects of the alternative selected were not foreseeable.

Audit and Corporate Practices Committee

Under the LMV, the Board of Directors may be assisted by one or more committees.

For purposes of corporate practices, the committee must (i) provide feedback to the Governing Board on matters within its competence, (ii) seek the advice of independent experts whenever it sees fit, (iii) convene shareholders' meetings, (iv) support the Board of Directors in preparing annual reports and compliance with the obligations of information delivery and (v) prepare and submit to the Board an annual report on its activities.

In its audit functions in accordance with the LMV, the authority of the committee includes, among others, (i) evaluating the performance of external auditors, (ii) discussing the financial statements of the Company, (iii) monitoring internal control systems (iv) evaluating the conclusion of transactions with related parties, (v) request reports from relevant officers as it deems necessary, (vi) inform the board of directors of all the irregularities they acknowledge, (vii) receive and analyze comments and observations made by shareholders, directors and key executives and perform certain acts that in their judgment are appropriate in connection with such observations, (viii) convene shareholders' meetings, (ix) evaluate the performance of the CEO of the Company and (x) prepare and submit an annual report of its activities to the Board of Directors.

Additionally, the Audit Committee has new functions, responsibilities and activities stipulated in the General Provisions applicable to entities and issuers supervised by the CNBV that hire external audit services for basic financial statements ("CUAE").

In accordance with the LMV and the bylaws of the company, the Audit and Corporate Practices Committee should be composed solely of independent directors and at least three members of the Board of Directors.

To date, the Company's Audit and Corporate Practices Committee members are Eduardo Escalante Castillo, Alejandro M. Elizondo Barragán and Ricardo Saldívar Escajadillo as proprietary members. The appointment of Alejandro Elizondo Barragán as Chairman of said Committee was ratified at the Ordinary General Shareholders' Meeting on March 8, 2024. Counselor Alejandro M. Elizondo Barragán is Axtel's financial expert.

Compensation and Benefits

During the year concluded on December 31, 2023, each Board Member received as net compensation after the withholding of corresponding taxes, the amount of Ps. $70,000 for each attendance to Board meetings. Members of the Audit and Corporate Practices Committee received a net compensation after the withholding of corresponding taxes of Ps. $50,000 for each attendance to the Committee's meetings.

For the year ended December 31, 2023, 2022 and 2021 compensation and benefits paid to the Company's main officers totaled Ps. $96 million, Ps. $67 million and Ps. $66 million, respectively, comprised of base salary and benefits required by law, complemented by a program of variable compensation based on the Company's results and the market value of Axtel´s shares. The total amount accumulated by the Company for the pension plan of its key management personnel amounted to Ps. $110 million. On the other hand, there is no agreement of program to involve board members, executives and other employees in Axtel's capital stock.

4.4) <u>Company's Bylaws and Other Agreements</u>

Modifications in the Bylaws

The Company was incorporated on July 22, 1994, originally under the corporate name of Telefonía Inalámbrica del Norte, S.A. de C.V. Subsequently, through an Extraordinary General Shareholders' Meeting held on January 28, 1999, it changed its corporate name to Axtel, S.A. de C.V. and by means of an Extraordinary General Shareholders' Meeting held on November 11, 2005, the Company resolved, among others, to carry a public and private offering of shares and as a result, the Company's bylaws were fully amended.

On November 29, 2006, by means of the General Ordinary and Extraordinary Shareholders' Meeting, the corporate bylaws were once again fully amended, including the adoption of the stock exchange regime in accordance with the applicable legal provisions.

On August 31, 2007, by means of an Extraordinary General Shareholders' Meeting, among others, the following resolutions were adopted: (i) to carry out a split of the shares that were outstanding, by issuing and delivering to the shareholders three new shares for each of the shares of the same class and series that they owned; and (ii) amend the Sixth Clause of the Company's bylaws.

Additionally, in accordance with the resolutions adopted by the Extraordinary General Shareholders' Meeting held on January 25, 2013, the Company issued 972,814,143 Series "B" Class "I" shares which were held in the Company's treasury, to be subscribed subsequently upon the conversion of Convertible Senior Notes. Likewise, 1,114,029 Series “A” shares were issued.

On January 15, 2016, Axtel and Onexa held Extraordinary Shareholders' Meetings where the merger between Axtel and Onexa was approved, date on which ALFA became the majority shareholder of Axtel, surviving entity under its current corporate name Axtel, S.A.B. de C.V.

Subsequently, on July 21, 2016, the shareholders of the Company through an Extraordinary General Shareholders' Meeting resolved, among other matters, to rectify the number of outstanding shares and shares in the Company’s treasury previously approved by the Extraordinary General Shareholders’ Meeting held on January 15, 2016, in which among others, the merger between Axtel, as the merging company and Onexa, as the merged company, was approved; the latter being extinguished, in which it was stated that it would proceed to reflect the relevant changes and adjustments in the capital stock derived, among others, from the conversions exercised by the holders of convertible Notes issued pursuant to the resolutions adopted by Axtel on January 25, 2013. Accordingly, it was approved to cancel 182,307,349 ordinary Class "I" Series "B" shares with no par value, representative of Axtel’s capital stock in its fixed minimum part, not subscribed or paid, which had been deposited in the treasury of the Company, intended to support the conversions of the convertible Notes, whose holders did not exercise their respective conversion rights; as a consequence, the capital stock reduction was resolved in the amount of Ps. 92,398,010.82 due to the cancellation of the 182,307,349 shares representing the minimum fixed part of the capital stock. In addition, it was resolved to consolidate Axtel's capital stock into a single series by converting all outstanding Series "A" shares, representing the Company’s capital stock, into Series "B" shares, of the same characteristics.

On March 10, 2017, by means of an Extraordinary General Shareholders’ Meeting, the shareholders of the Company resolved to reduce the capital stock in its fixed minimum part in the amount of Ps. 9,868,331,650.99 to remain in the amount of Ps. 464,367,927.49, in order to partially absorb the negative balance of the account called "Cumulative Fiscal Year Results", a resulting balance after the application of the results of fiscal year 2016, having previously applied to said account the balance as of December 31, 2016 of the account " Share Issuance Premium ".

Subsequently, on February 27, 2018, by means of an Extraordinary General Shareholders’ Meeting, the shareholders resolved to amend Clause Six of the Company’s bylaws, for the sole purpose of adjusting the wording to reflect that all the shares previously held in the Company’s treasury were then fully subscribed, paid and released, in accordance with the resolutions adopted at the Extraordinary General Shareholders' Meeting of the Company held on January 15, 2016, by which ALFA received 1,019,287,950 Class "I" Series "B" shares on July 18, 2017, adjustment equivalent to an increase of 2.50% of ALFA’s ownership in Axtel’s capital stock; shares held in the Company’s treasury and released on that date, as part of the consideration agreed in the merger agreement and approved in the aforementioned Shareholders’ Meeting.

Likewise, on February 26, 2019; the merger was carried out by incorporation of Avantel, S. de R.L. de C.V. and Servicios Alestra, S.A. de C.V., as merged entities, in Axtel, as merging entity.

On March 7, 2022, the Extraordinary General Shareholders' Meeting approved, among other issues, the cancellation of 424'991,364 Class "I" Series "B" common, nominative shares, with no par value, equivalent to 60,713,052 AXTELCPOs, that remained in the Company’s Treasury derived from its share buyback program. As a result, the fixed portion of the Company's capital stock was reduced in the amount of Ps. $9,747,045.18, amount equal to the theoretical value of the canceled shares, remaining at $454'620,882.31 and represented by 19,824,236,117 Class “I” Series “B” shares.

Likewise, in accordance with the resolutions adopted at the Extraordinary General Shareholders' Meeting held on March 7, 2022, it was approved to reform the text of the Second Clause of Axtel's bylaws, regarding the corporate purpose, to adjust it to legislative reforms in labor matters, for which subsections a) and b) were modified, so that the text of said subsections remains as indicated below (translation from Spanish):

SECOND.- The corporate purpose of the Company will be the following: a).- Operate and exploit a public telecommunications network, the provision of telecommunications services through wired or wireless technologies, as well as using and exploiting frequency bands spectrum, infrastructure use rights, dark fiber rental, integration and management of connectivity, cybersecurity, internet of things, information technology and managed collaboration solutions, integration of turnkey projects and integration and management of data centers solutions as well as the administration of telecommunications infrastructure projects and turnkey projects b).- Marketing, distribution, export and sale of all kinds of telecommunications, computer and electronic equipment and the acquisition and/or operation of equipment and installation of telecommunications, national and international and of any type of technology. ..."

Through resolutions adopted at the Extraordinary General Shareholders' Meeting held on March 8, 2024, the amendment of the text of Clauses 6, 8, 20, 30, 32, 33, 34 and 36 of the corporate bylaws was approved to reflect the various reforms enacted to the General Corporations Law, as well as to the Securities Market Law, in order to adjust them to the reforms of various legal provisions, which are:

- Rules for holding shareholders' meetings, sessions of the governing bodies and auxiliary bodies of the board, to be held in person or through the use of electronic, optical or any other technology means;
- Publication of calls for meetings by means of a notice in the electronic system established by the Ministry of Economy;
- Legal books may be signed by handwritten or electronic signature;
- Elimination of the limit or percentage in the issuance of shares other than ordinary shares.
- In capital increases, to update the registration in the National Securities Registry, after the placement of shares;
- Possibility for the Shareholders' Meeting to delegate to the Board of Directors the power to increase the capital stock and modify the rules regarding the subscription of corresponding shares, even excluding pre-emptive rights.

At the same Extraordinary General Shareholders' Meeting held on March 8, 2024, shareholders approved the cancellation of 45,000 Class “I” Series "B" shares, not subscribed or paid, which were deposited in the Company's treasury for the conversions of convertible notes, whose holders did not exercise the respective right of conversion, and said notes having been fully redeemed.

Thus, the fixed capital of the Company was reduced in the total amount of Ps. $1,031.96; equal to the theoretical value of the canceled shares, thus the fixed capital reached Ps. $454,619,850.35. Axtel is managing the update procedures for the registration of the shares and AXTELCPOs in the National Securities Registry, as a result of said agreements

As of the date of this Annual Report, the Company has a total of 19,824,191,117 Class "I" Series "B" common shares, with no par value. As of March 31, 2024, there are 28,938,371 shares in Axtel's treasury, derived from the share repurchase program. See section *1.3) Recent relevant events*.

Shareholders’ Meetings and Voting Rights

The general shareholders’ meetings may be ordinary or extraordinary. At each general shareholders’ meeting, each shareholder shall be entitled to one vote per share.

The extraordinary general shareholders’ meetings shall be those convened to decide on the following matters:

- Extending the duration of the Company or early dissolution;
- increases or reductions to the fixed part of the capital stock;
- amendment to the Company’s corporate purpose and changes of nationality;
- mergers or transformations;
- issuance of bonds and preferred stock;

- any amendment to the bylaws;
- spin-offs;
- cancellation of shares at the expense of retained earnings; and
- cancellation of the registration of shares in the RNV or any other stock market (except for automatic trading systems).

Ordinary shareholders' meetings are those convened to decide on any matter not reserved for extraordinary meetings. The ordinary general shareholders' meeting shall meet at least once a year, within the first four months after the end of the fiscal year, to resolve, among other things, the following:

- Discussion and approval of the reports of the Board of Directors and the CEO referred to in the LMV and discussion about the application of the results of the immediately preceding fiscal year;
- appointment of members of the Board of Directors and the Audit and Corporate Practices Committee, as well as any other committee that may be created, as well as the determination of their compensation;
- determine the maximum amount that may be used for the share buyback program and
- discussion and approval of the annual report presented by the Chairman of the Audit and Corporate Practices Committee to the Board of Directors.

In accordance with the provisions of the LMV, the general ordinary shareholders' meeting shall, in addition to the matters described above, approve any operation involving 20% or more of the Company's consolidated assets within the same fiscal year.

To attend the shareholders' meeting, shareholders must be registered in the Company's registry book or provide sufficient evidence of the ownership of their stocks.

Shareholders' meetings, whether ordinary or extraordinary, may be held in person, or through the use of electronic, optical or any other technology means, that allow the participation by such means of all or part of the shareholders and/or their duly accredited representatives, provided that the participation is simultaneous and allows interaction in the deliberations in a functionally equivalent way to an in-person meeting; with the understanding that, in any case, there must be mechanisms or measures that allow access, accreditation of the identity of the participants, as well as, where applicable, the way in which they vote, and the corresponding evidence is generated.

For an ordinary shareholders' meeting to be considered legally gathered by virtue of a first call, at least half of the Company's capital stock must be represented, and its resolutions will be valid when taken by a majority vote of the shares with voting rights represented in the meeting. In the case of second or subsequent call, ordinary shareholders' meetings may be held valid regardless of the number of shares represented and their resolutions shall be valid when taken by a majority vote of the shares with voting rights represented in the meeting. For an extraordinary shareholders' meeting to be considered legally gathered by virtue of the first call, at least three-quarters of the capital stock must be represented, and its resolutions will be valid when taken by the favorable vote of at least more than half of the stock with voting rights. In the event of a second or subsequent call, the extraordinary shareholders' meetings may be held valid if at least fifty-one percent of the Company's capital stock is represented, and their resolutions shall be valid if taken by the favorable vote of at least half of such capital stock.

Notices to call for shareholders' meetings must be made by the Board of Directors, its Chairman, its Secretary, or by one or more committees that carry out the functions of corporate and audit practices. Shareholders holding shares with voting rights, including limited or restricted vote, that individually or jointly hold at least 10% of the Company's capital stock shall be entitled to request the Chairmen of the Board of Directors or the Chairmen of the committees that carry out the functions of audit and corporate practices, to gather a general shareholders' meeting on the terms set out in Article 184 of the *Ley General de Sociedades Mercantiles*, this, notwithstanding the applicable percentage specified in such Article. Any shareholder shall have the same right referred to in both cases specified in Article 185 of the *Ley General de Sociedades Mercantiles*. If the notice for the shareholders' meeting is not done within 15 (fifteen) days following the application date, a Civil or District Judge of the Company's domicile will, at the request of any interested shareholder, issue such notice. Notices for ordinary, extraordinary, or special general meetings, must be published in the electronic system established by the Ministry of Economy ,at least 15 calendar days prior to the date set for the meeting (the day in which the publication of the call is made, will be computed within the 15-day period). When the quorum has not been sufficient for a meeting, record shall be taken in the respective book, stating that fact, along with the signatures in such records of the President and Secretary and the appointed Scrutineers, stating the date of issuance of the newspaper on which such call for shareholders' meeting was published. In a second or subsequent call, the publication referred to above, must be made with no less than seven (7) calendar days prior to the date set for the new meeting. Notices shall state the place, date and time that the Meeting should be held, shall contain the agenda which may not include matters under the heading of general matters or equivalent and shall be signed by the person or persons who make them. With at least fifteen (15) calendar days prior to the date of a shareholders' meeting, all the appropriate information and documents related to each of the points contained in the agenda of the meeting must be available to shareholders at the Company's offices, free of charge. In accordance with the second paragraph of Article 178 of the *Ley General de Sociedades Mercantiles ("LGSM")*, resolutions taken outside the shareholders' meeting, by the unanimous vote of the shareholders representing all of the shares with voting rights, or special series shares if that were the case, shall for all legal purposes be deemed as valid as if they were adopted at a general or special shareholders' meeting, provided that such decisions are confirmed in writing by the shareholders.

Only persons registered as shareholders in the Share Registry Book, as well as those holding certificates stating the amount of such securities held by such person, issued by the institution for the deposit of securities, along with the list of holders of such securities issued by such institution, shall be entitled to appear or be represented at the shareholders' meeting, for which the provisions of the LMV shall be applied.

The minutes of the shareholders' meetings shall be prepared by the Secretary of the Board, or the person who had acted as Secretary of the shareholders' meeting; to be entered in the respective book and signed handwritten or electronically by the Chairman, Secretary and the designated scrutineers.

Dividend Payment and Settlement

Prior to the payment of any dividend, the Company shall set aside 5% of its net profits to integrate the legal reserve fund referred to in Article 20 of the *LGSM*, until such fund reaches the equivalent to 20% of the subscribed capital paid by the Company. Shareholders may agree to allocate additional amounts to the legal reserve fund, including the amounts destined for repurchase of stock. The remainder, if any, may be paid as a dividend to shareholders. Where appropriate, the payment of cash dividends to shares that are not deposited in Indeval will be made against delivery of the applicable coupon, if any.

To the extent that dividends are declared and paid to shareholders, holders of shares purchased in the U.S. or any other country other than Mexico are entitled to receive such dividends in Pesos. Currently there is no tax or withholding tax in accordance with Mexican law on shares acquired outside of Mexico or the dividends declared on such shares.

At the time of dissolution and liquidation of the Company, the ordinary general shareholders' meeting shall designate one or more liquidators, who must liquidate the Company. In the event of liquidation, all shares fully subscribed and paid shall be entitled to receive their proportional participation in the distribution of the Company's assets.

Purchase of Shares by Subsidiaries of Axtel

Any company in which Axtel is the majority shareholder may not, directly or indirectly, acquire shares of the Company or companies who own the majority of the Company's shares. In accordance with the LMV, this restriction does not apply to the acquisition of shares representing the Company's capital stock, through mutual funds.

Vote of Foreign Investors holding CPOs

On March 26, 2018, a Modification Agreement of the Irrevocable Trust Agreement No. 80471 called Axtel CPO's was signed, for the purpose of modifying, among others, the elimination of the restrictions on corporate rights to foreign holders. Therefore, the amendment to the CPOs Issuance Act was formalized on May 23, 2018 as well as the respective exchange of the CPOs before the *S.D. Indeval, Institución para el Depósito de Valores, S.A. of C.V.,* executed on July 31, 2018.

Measures to prevent the change of control in Axtel

General

The Company's bylaws provide, subject to certain exceptions, that: (A) any person who individually, or jointly with one or more Related Parties, seeking to acquire Shares or rights over Shares, by any means or title, directly or indirectly, either in an act or a succession of acts without a time limit between each other and as a result of such acquisition its shareholdings as an individual and/or jointly with the Related Party(ies) represent a participation of 5% or more, of all Series "B" Shares, shall require prior written consent from the Board of Directors and/or the Shareholders meeting, as provided below, (B) any person who individually or jointly with one or more Related Parties, which holds 5% or more of the total of Series "B" Shares, intend to acquire Shares or rights over Shares, by any means or title, directly or indirectly, whether in one transaction or a series of events without a time limit between each other and as a result, its shares holding as an individual and/or jointly with the Related Party(ies) represent a participation of 15% or more of all Series "B" Shares, as applicable, shall require prior written consent from the Board of Directors and/or the Shareholders' meeting, as provided below, (C) any person who individually or jointly with one or more Related Parties, which maintain a 15% or more of the total of Series "B" shares, intend to acquire Shares or rights over Shares, by any means or title, directly or indirectly, whether in one transaction or a series of events without a time limit between each other and as a result, its shares holding as an individual and/or jointly with the Related Party(ies) represent a participation of 25% or more of all Series "B" Shares, as applicable, shall require prior written consent from the Board of Directors and/or the Shareholders' Meeting, as provided below; (D) any person who individually or jointly with one or more Related Parties, which maintaining a 25% or more of the Series "B" Shares, intends to acquire Shares or rights over Shares, by any means or title, directly or indirectly, whether in an act or a succession of acts without a time limit between each other and as a result, its shareholding as an individual and/or jointly with the Related Party(ies) represent 35% or more of all Series "B" Shares, as applicable, shall require prior written consent from the Board of Directors and/or the Shareholders' Meeting, as provided below, (E) any person who individually or jointly with one or more Related Parties, which maintained a 35% or more of the Series "B" Shares, intends to acquire Shares or rights over Shares, by any means or title, directly or indirectly, whether in one transaction or a series of events without a time limit between each other and as a result its shareholding as an individual and/or in conjunction with the Related Party(ies) represent 45% or more of all Series "B" Shares, as applicable, shall require prior written consent from the Board of Directors and/or the Shareholders' Meeting, as provided below, (F) any person who is a competitor of the Company or of any Subsidiary of the Company, who individually or together with one or more Related Parties, intend to acquire Shares or rights over Shares, by any means or title, directly or indirectly, whether in one transaction or a series of events without a time limit between each other and as a result their shareholding as an individual and/or jointly with the Related Party(ies) represent 3% or more of all Series "B" Shares, or its multiples thereof, shall require prior written consent of the Board of Directors and/or the Shareholders' Meeting, as applicable.

The person who acquires shares without having complied with any of the procedures, requirements, authorizations and other provisions set forth in the corporate bylaws, shall not be registered in the Company's share registry and consequently, such person will not be able to exercise the corporate rights corresponding to such Shares, specifically including the right to vote at shareholders' meetings, unless the Board of Directors or the general extraordinary shareholders' meeting authorizes otherwise. In the case of Persons who already are shareholders of the Company and, therefore, the ownership of their shares has already been entered in the Company's shares registry, the shares acquired without having complied with the procedures, requirements, authorizations and other provisions of such clause of the bylaws will not be entered in the Company's registry of shares and, accordingly, such persons may not exercise the corporate rights that apply to such actions, specifically including the right to vote in shareholders' meetings, unless the Board of Directors or the general extraordinary shareholders' meeting authorizes otherwise. In the cases in which any of the procedures, requirements, authorizations and other provisions provided for in the Company's bylaws, the certificates or listing of records referred to in the first paragraph of Article 290 of the LMV are not met, ownership of the Shares shall not be proved, neither the right to attend shareholders' meetings and the inscription in the shares registration, nor exercise of any actions, including those of a procedural nature, shall be deemed as legitimated, unless the Board of Directors or the general extraordinary shareholders' meeting authorizes otherwise. Additionally, and in accordance with Article 2117 of the Federal Civil Code, any person who acquires shares in violation of the provisions of the Company's bylaws, shall be required to pay a penalty to the Company for an amount equivalent to the price paid for all the Shares that were wrongfully acquired. In the case of shares acquired in violation of the provisions of the bylaws and free of charge, the penalty shall be for an amount equal to the market value of the wrongfully acquired Shares. Approvals granted by the Board of Directors or the Shareholders' Meeting as provided in the bylaws, shall cease to have effect if the information and documentation based on which these approvals were granted is not or ceases to be true. Likewise, the person who acquires shares in violation of the provisions of the bylaws, must transfer the wrongfully acquired Shares, to a third party approved by the Board of Directors or the Company's general extraordinary shareholders' meeting, in which case, the provisions for such matters contained in the Company's bylaws must be followed and complied with in order to carry out such disposal, including delivery to the Board of Directors of the Company, through its Chairman and Secretary, of the information referred to in the bylaws.

Requirements and Approvals of the Board of Directors and Shareholders Meeting

To obtain the prior consent of the Board of Directors, the potential acquirer must submit an authorization request, which must contain certain specific information. During the authorization process, certain terms must be met. The Board of Directors may, without liability, submit the request for authorization to the general extraordinary shareholders' meeting for resolution. The determination of the Board of Directors to submit for the consideration of the Shareholders' Meeting must consider different factors such as the potential conflict of interest, equity in the proposed price or when the Board is not able to meet having been convened more than twice, among other factors. The Board of Directors may reject any authorization previously granted before the date on which the transaction is consummated, in the event the Board receives a better offer for the Company's shareholders. If the Board of Directors or the Shareholders' Meeting does not resolve, in a negative or positive sense, on the terms and forms established in Axtel's bylaws, it is understood that the request for authorization to acquire shares in question has been denied.

Mandatory Public Tender Offer to Purchase in Certain Acquisitions

In the event that the Board of Directors authorizes the requested acquisition of Shares and said acquisition involves the acquisition of a participation of between 20% or 40% in the Company and notwithstanding the approval, the Person who intends to acquire such Shares must make a public tender offer to purchase, in cash and at a price determined in accordance with the procedure established in the following paragraph, for an additional 10% of the Company's capital stock, without such acquisition, including the additional, exceeding half of the ordinary shares with voting rights or implying a change of Control in the Company.

In the case that the Board of Directors or the General Extraordinary Shareholders' Meeting, as the case may be, approves an acquisition that may result in a change of control, the acquirer in question must make a public tender offer to purchase 100% minus one, of the existing Shares of the Company, at a price payable in cash that shall not be less than the price that is greater than the following:

> a) The book value of the shares, according to the latest quarterly income statement approved by the Board of Directors; or b) the highest closing price of the shares during the 365 days prior to the date of the authorization granted by the Board of Directors; or c) the highest price paid in the purchase of Shares at any time by the Person who individually or jointly, directly or indirectly, acquires the Shares subject to the authorization by the Board of Directors; or d) the highest enterprise value multiple of the Company for the last 36 months, multiplied by the EBITDA known for the last 12 months minus the most recent known net debt. The aforementioned enterprise value multiple corresponds to the market value of the Company (the share or CPO closing price multiplied by the total number of shares or CPOs outstanding representative of 100% of the Company's capital stock) plus the known net debt, divided by the known last 12-months EBITDA.

Any public tender offer that must be conducted in relation to the foregoing shall be subject to certain specific requirements. All shareholders of the Company must be paid the same price for their shares in the public tender offer. The provisions of the Company's bylaws summarized in this paragraph, related to the mandatory tender offer for certain acquisitions, is generally more rigid than the provisions of the LMV. Some of the provisions of the bylaws relating to the public tender offer in the case of certain acquisitions differ from the requirements established in the LMV, in the understanding that the provisions of the bylaws grant greater protection to minority shareholders than those provided by law. In these cases, the provisions contained in the bylaws and not the corresponding provisions of the LMV, will apply to the acquisitions specified herein.

Exceptions

The provisions of the Company's bylaws summarized above, do not apply to acquisitions or transfers of Shares that are carried out by succession, to those acquired by the Person(s) who control the Company and those managed by Axtel, its subsidiaries or affiliates or by any trust created by the Company or any of its subsidiaries, among others.

Amendments to the Provisions on the Protection against hostile takeover

Any amendment to the provisions relating to protection against hostile takeover must be made in accordance with the terms established by the LMV and registered in the Public Registry of Commerce at the Company's domicile.

Other provisions

Appraisal Rights and Other Minority Rights

If shareholders agree to modify the Company's corporate purpose, nationality or agree to transform it into other type of corporation, any shareholder who voted against the amendment may exercise its withdrawal right, receiving the book value of shares (in accordance with the last balance sheet approved by the shareholders), provided that the withdrawal request is submitted within 15 days following the day in which such amendments were adopted.

In accordance with the LMV, issuers are required to observe certain minority rights, including rights that allow:

- shareholders representing at least 10% of the duly subscribed and paid capital stock of the Company, to call for a meeting in which they are entitled to vote;
- shareholders representing at least 15% of the Company's capital stock, to claim, subject to certain legal requirements, certain civil responsibilities against the members of the Board of Directors of the Company;
- shareholders representing at least 10% of the stock with voting rights who are present or represented at a shareholders' meeting, may request to postpone the voting of issues on which there are not sufficiently informed; and
- shareholders representing at least 20% of the duly subscribed and paid capital stock, to oppose and stop any resolution adopted by the shareholders, subject to compliance with certain legal requirements.

Additionally, and in accordance with the LMV, Axtel is subject to comply with certain corporate governance issues, including the requirement to maintain a committee performing the functions of Audit and corporate practices and the election of independent directors.

The rights granted to minority shareholders and the liabilities of the Company's directors under Mexican law are different from those given by law in the United States and other countries. Mexican courts have not ruled exhaustively in relation to the responsibilities of board members, unlike the courts of different states of the United States, where court rulings in this matter have identified some of the rights attributable to minority shareholders. Mexican procedural law does not contemplate the possibility of class actions or shareholder lawsuits, which in the United States allow shareholders to incorporate other shareholders into their claims or to exercise rights attributable to the Company. Shareholders of Mexican companies do not have the power to oppose resolutions adopted at shareholders' meetings unless they strictly comply with procedural requirements. As a result of the foregoing, it is usually more complicated for the minority shareholders of Mexican corporations to file lawsuits against the Company or its board members, in comparison with the shareholders of companies in the United States.

Responsibilities of Board Members and Committee Members

Liability claims against board members and committee members will be subject under the provisions stated in the LMV. In accordance with the LMV, shareholders representing at least 5% of the Company's capital stock may exercise liability claims against board members in case of breach of duties of due diligence and loyalty and may obtain for the benefit of the Company, the payment of an indemnity equivalent to the amount of damages and losses. These liability actions are prescribed at the end of five years and may not be exercised if the board members are protected by the exceptions stated in the LMV.

Conflicts of Interest

A shareholder who votes on any resolution in which there is a conflict of interest may incur in a responsibility for direct and consequential damages incurred to the Company, provided that the resolution could not have been approved without the affirmative vote of such shareholder. Additionally, a member of the Board of Directors or a committee member that performs audit and corporate governance functions, that have any conflict of interest must inform the other members of such board or committee, or of the Company and restrain from voting on any resolution regarding such matter. Failure to comply with these obligations by a board member or committee member that performs audit and corporate governance functions may result in liability to such board member or committee member in question as well as in the payment of damages.

The Board of Directors shall carry out all acts not reserved by law or by the bylaws to the shareholders' meeting and shall have the functions, duties and powers established and provided for in the LMV and other applicable legal provisions. See Section *Powers of the Board of Directors* on this *Annual Report*.

Suspension of the Resolutions Adopted by Shareholders

Holders of shares with voting rights, including limited or restricted vote, who individually or jointly hold 20% or more of the Company's capital stock, may judicially oppose the resolutions of the general shareholders' meetings in which they were entitled to vote. The above, subject to the terms and conditions set forth in Article 201 of the *Ley General de Sociedades Mercantiles*, without the percentage referred to that article and Article 202 of the aforementioned law being equally applicable.

Admission of Foreigners

In accordance with applicable law, the Company's bylaws state that when acquiring Company's shares, foreign shareholders are obliged to: (i) be considered as Mexican in everything relating to their shares, properties, rights, concessions, participations or interests in which the Company is the holder and the rights and obligations resulting from any contract between the Company and the federal government and (ii) do not seek the protection of their government. If a shareholder invokes such protection, in contravention with the provisions of the bylaws, it's bound to lose its Shares in benefit of the Mexican Nation. This prohibition does not apply to legal proceedings before foreign courts.

Jurisdiction

The Company's bylaws state that any dispute between the shareholders and the Company, or between the shareholders on matters relating to the Company, the parties hereby agree to submit such matters to the jurisdiction of the courts located on the state of Nuevo Leon, Mexico.

CPO Trust and other agreements

The Company is listed on the BMV through non-redeemable CPOs issued under the CPO Trust, each representing 7 Series "B" Class "I" shares of the capital stock of Axtel. The holders of CPOs that are considered investors, may instruct the Trustee to exercise the right to vote with respect to the Shares underlying the CPOs of their ownership, in the event that the investors do not issue the respective instruction up to 3 days before the respective Shareholders' Meeting, the Trustee shall cast their vote in the same way as most of the holders of Series "B" Shares considered investors do so.

On the other hand, Controladora Axtel and a group of shareholders holding approximately 19.8% of the capital stock of Axtel, entered into a Shareholders' Agreement to regulate their relationship as shareholders of the Company, as well as the transfer of shares by themselves. This Shareholders' Agreement contains, among other provisions, rules for the appointment of the board of directors of Axtel, matters of qualified majority in general shareholders' meetings, preferential rights in the case of transfers of shares, joint selling rights and forced sales rights.

Except as provided by the Company's bylaws, by the CPO Trust and the Shareholders' Agreement, there are no other statutory clauses or agreements between shareholders or other mechanisms that limit or restrict the Company's management or its shareholders.

5. STOCK MARKET

5.1) Shareholders' Structure

The CPOs of the Company are conformed by Series "B" Class "I" Shares of Axtel's capital stock. They represent 7 Shares of the aforementioned Series and are listed on the BMV. Controladora Axtel owns approximately 53.9% of the shares representing Axtel's capital stock, this derived from the Spin-off.

5.2) Stock Performance in the Stock Market

The following table shows the maximum and minimum prices of AXTELCPOs.

	Maximum	Minimum	Volume
	(Pesos per CPO)		*(in thousands)*
Annual Maximum and Minimum:			
2019	3.27	2.04	408,431
2020	8.45	2.57	411,676
2021	6.78	3.75	271,929
2022	4.23	1.26	247,914
2023	1.49	0.61	432,250
2021:			
First Quarter	6.11	5.08	58,781
Second Quarter	6.78	5.19	72,066
Third Quarter	6.02	4.70	70,011
Fourth Quarter	5.09	3.75	71,070
2022:			
First Quarter	4.23	2.70	63,724
Second Quarter	2.81	1.52	128,081
Third Quarter	1.59	1.26	27,676
Fourth Quarter	1.64	1.36	27,939
2023:			
First Quarter	1.49	1.24	121,058
Second Quarter	1.45	0.67	185,702
Third Quarter	0.87	0.61	78,457
Fourth Quarter	0.87	0.62	47,029
Monthly Maximum and Minimums:			
2023:			
January	1.48	1.34	10,142
February	1.49	1.24	17,593
March	1.33	1.25	58,034
April	1.45	1.32	58,603
May	1.40	0.67	84,150
June	1.08	0.74	42,949
July	0.87	0.68	31,602
August	0.69	0.63	29,999
September	0.78	0.61	16,861
October	0.87	0.72	11,801
November	0.78	0.67	8,879
December	0.71	0.62	26,348
2024:			
January	0.67	0.60	12,883
February	0.84	0.66	9,710
March	0.86	0.80	9,380

5.3) Market Maker

As of December 31, 2023, Axtel has not entered into a Market Maker contract with any intermediary.

De conformidad con el Artículo 33 fracción I, inciso b), párrafo 1 de las "Disposiciones de Carácter General Aplicables a las Emisoras de Valores y otros Participantes del Mercado de Valores", emitidas por la Comisión Nacional Bancaria y de Valores y publicadas en el Diario Oficial de la Federación ("DOF"), el 19 de marzo de 2003, y sus respectivas actualizaciones, y con relación al Reporte Anual 2023 de Axtel, S.A.B. de C.V., hacemos constar que:

> "Los suscritos manifestamos bajo protesta de decir verdad que, en el ámbito de nuestras respectivas funciones, preparamos la información relativa a la emisora contenida en el presente reporte anual, la cual, a nuestro leal saber y entender, refleja razonablemente su situación. Asimismo, manifestamos que no tenemos conocimiento de información relevante que haya sido omitida o falseada en este reporte anual o que el mismo contenga información que pudiera inducir a error a los inversionistas."

Atentamente,

Ing. Armando de la Peña González

Director General

Ing. Adrián Gerardo de los Santos Escobedo

Director de Finanzas

Lic. Carlos Jiménez Barrera

Director Jurídico

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

Manifestación de consentimiento para la inclusión en el reporte anual del informe de auditoría externa y de revisión de la información del informe anual al 31 de diciembre de 2023

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Ave. Juárez 1102, piso 40
colonia Centro,
64000 Monterrey,
México

Tel: +52 (81) 8133 7300
www.deloitte.com/mx

Al Presidente del Comité de Auditoría de
Axtel, S. A. B. de C. V.

En los términos del Artículo 39 de las Disposiciones de carácter general aplicables a las Entidades y Emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de auditoría externa de estados financieros básicos, publicadas en el Diario Oficial de la Federación ("DOF") del 26 de abril de 2018 y sus modificaciones posteriores (las "Disposiciones") y del Artículo 84 Bis de las Disposiciones de carácter general aplicables a las emisoras de valores y otros participantes del mercado de valores publicadas en el DOF del 19 de marzo de 2003 y sus modificaciones posteriores (la "Circular Única de Emisoras"), en nuestro carácter de auditores externos independientes de los estados financieros básicos consolidados por los años que terminaron el 31 de diciembre de 2023, 2022 y 2021 de Axtel, S. A. B. de C. V., manifestamos lo siguiente:

I. Que expresamos nuestro consentimiento para que la Emisora incluya en el reporte anual, el Informe de Auditoría Externa que al efecto emitimos.

II. Lo anterior en el entendido de que previamente nos cercioramos que la información contenida en los Estados Financieros Básicos Consolidados incluidos en el reporte anual, así como cualquier otra información financiera comprendida en dichos documentos cuya fuente provenga de los mencionados Estados Financieros Básicos Consolidados o del Informe de Auditoría Externa que presentamos coincide con la información financiera auditada, con el fin de que dicha información sea hecha del conocimiento público.

Atentamente,

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Afiliada a una Firma Miembro de Deloitte Touche Tohmatsu Limited

C.P. Jaime Luis Castilla Arce
Apoderado *(Representante Legal)*
Monterrey, Nuevo León, México
26 de abril de 2024

C.P.C. Efrain Omar Fernández Mendoza
Auditor externo
Monterrey, Nuevo León, México
26 de abril de 2024

* * * * *

Los suscritos manifestamos, bajo protesta de decir verdad, que los estados financieros de Axtel, S. A. B. de C. V. (la "Emisora") que contiene el presente reporte anual por los ejercicios al 31 de diciembre de 2023, 2022 y 2021 y por los años que terminaron en esas fechas, contenidos en el presente reporte anual, fueron dictaminados con fecha 31 de enero de 2024, 2023 y 2022, respectivamente, de conformidad con las Normas Internacionales de Auditoría.

Asimismo, manifestamos que hemos leído el presente reporte anual y basado en su lectura y dentro del alcance del trabajo de auditoría realizado, no tenemos conocimiento de errores relevantes o inconsistencias en la información que se incluye y cuya fuente provenga de los estados financieros dictaminados, señalados en el párrafo anterior, ni de información que haya sido omitida o falseada en este reporte anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, los suscritos no fuimos contratados para realizar, y no realizamos, procedimientos adicionales con el objeto de expresar su opinión respecto de la otra información contenida en el reporte anual que no provenga de los estados financieros consolidados dictaminados.

C.P. Jaime Luis Castilla Arce
Apoderado *(Representante Legal)*
Monterrey, Nuevo León, México
26 de abril de 2024

C.P.C. Efrain Omar Fernández Mendoza
Auditor externo
Monterrey, Nuevo León, México
26 de abril de 2024

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

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

Table of contents **Page**

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Ave. Juárez 1102, piso 40
colonia Centro,
64000 Monterrey,
México

Tel: +52 (81) 8133 7300
www.deloitte.com/mx

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 Statements

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.)

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.)

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.)

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.)

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.

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

Consolidated Statements of Cash Flows

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 rates	(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.

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

<u>2023</u>

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.

<u>2022</u>

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 spinnor 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.

<u>2021</u>

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. (“Altan”)*

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*

i. 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 expected 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 assured. 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:

		Stockholding interest (%)			
	Country	**2023**	**2022**	**2021**	**Functional currency**
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)	México	-	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:

		Local currency to Mexican pesos					
		Closing exchange rate as of December 31,			Average annual exchange rate		
Country	**Local currency**	**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.

g. 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 to 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.

l. 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 to 7
Concessions	20 to 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.

p. 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 (*)	$ 10,290,217	$ 10,784,708	$11,508,447	$10,226,268	$12,842,055	$13,152,634

(*) 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	Until Jan-24-2024
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% and 0%, 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, arbitrage 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)
Ending 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, 2022									
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, net

	Definite life					Indefinite life		
	Concessions	Trademarks	Relationships with customers	Non-compete 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 Moviles(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:

			Interest rate				As of December 31,		
	Country	Currency	Contractual	Effective	Maturity date	Interest payment periodicity	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	Various	Various	Various	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 onwards	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)
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:

	Year ended December 31, 2023		
	Income	Costs and expenses	
	Telecommunication services	Interests	Others
Affiliates	$ 160,637	$ -	$ 45,933
Total	$ 160,637	$ -	$ 45,933

	Year ended December 31, 2022		
	Income	Costs and expenses	
	Telecommunication services	Interests	Others
Affiliates	$ 166,096	$ -	$ 38,884
Total	$ 166,096	$ -	$ 38,884

	Year ended December 31, 2021		
	Income	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.

2021 rates

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 SJCN 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

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 advisers 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			
	Business	**Government**	**Wholesale**	**Total**
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			
	Business	**Government**	**Wholesale**	**Total**
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			
	Business	**Government**	**Wholesale**	**Total**
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.

* * * * *

axtel

INFORME ANUAL DEL COMITÉ DE AUDITORÍA Y PRÁCTICAS SOCIETARIAS

16 de febrero de 2024

CONSEJO DE ADMINISTRACIÓN
DE AXTEL, S.A.B. de C.V.

En cumplimiento de lo dispuesto por el Artículo 43 de la Ley del Mercado de Valores y en mi carácter de Presidente del Comité de Auditoría y Prácticas Societarias de Axtel, S.A.B. de C.V. ("Axtel" o la "Sociedad"), así como, en representación de los demás consejeros independientes integrantes de dicho Comité, les presentamos un reporte sumario de las actividades desempeñadas por dicho Comité durante el ejercicio social terminado el 31 de diciembre de 2023.

Este informe se presenta, con base a información recibida por este órgano, y tomando en cuenta los informes, opiniones y/o comunicados de directivos relevantes y de los auditores externos e internos, todos ellos de la Sociedad, sobre los temas que le competen al Comité.

I. Actividades en relación con los Estados Financieros.

1. Se revisaron los estados financieros de Axtel y subsidiarias, por los ejercicios terminados el 31 de diciembre de 2022 y 2023, formulados en base a las Normas Internacionales de Información Financiera (IFRS, por sus siglas en inglés) y se analizaron con los auditores externos de la Sociedad su dictamen sobre dichos estados financieros y las notas a los mismos, presentados al Consejo de Administración para su proposición a las correspondientes Asambleas Generales Ordinarias anuales de Accionistas;

2. Se analizaron los respectivos proyectos de aplicación de resultados de los ejercicios mencionados, presentados al Consejo de Administración para su proposición a las correspondientes Asambleas Generales Ordinarias anuales de accionistas de fechas 7 de marzo de 2023 y 8 de marzo de 2024, respectivamente; y

3. Se tuvo conocimiento y se aprobaron los estados financieros trimestrales divulgados por la Sociedad a través de la Bolsa Mexicana de Valores, S.A.B. de C.V.

II. **Actividades en relación con las operaciones de la Sociedad y sus subsidiarias, en materia de prácticas societarias.**

1. Se analizó y revisó el desempeño y la remuneración integral de los directivos relevantes;

2. Se analizaron y revisaron los planes de sucesión de los directivos relevantes;

3. Se realizaron las investigaciones necesarias para estar en aptitud de informar respecto de: (i) la inexistencia de operaciones significativas con personas relacionadas; y (ii) la ausencia de dispensas para el aprovechamiento de negocios que correspondan a la sociedad y/o a sus subsidiarias, por parte de personas relacionadas; y

4. Se dio seguimiento a la formalización de los acuerdos de las asambleas de accionistas y del Consejo de Administración en materia de prácticas societarias.

III. **Actividades en relación con la auditoría externa e interna de las operaciones de la Sociedad y sus subsidiarias.**

1. Se revisó el desempeño de la firma de auditoría externa de Axtel y subsidiarias, proponiendo después del análisis, el recomendar al Consejo de Administración, la ratificación de la contratación de los servicios de Galaz, Yamazaki, Ruiz, Urquiza, S.C. ("Deloitte"), así como el importe de los honorarios, tanto de los servicios de auditoría externa de estados financieros, como de los servicios distintos a los anteriores;

2. Se analizaron los programas de auditoría presentados por los auditores externos;

3. Se autorizó la contratación de los servicios distintos a los de auditoría externa de estados financieros proporcionados por Deloitte, no encontrándose situaciones que comprometan su independencia;

4. Se evaluó el desempeño de la firma de auditoría externa, así como el de la persona responsable de la misma;

5. Se revisó y analizó con los auditores externos de la Sociedad el dictamen sobre los mecanismos de control interno adoptados por la Sociedad y sus subsidiarias;

6. Se revisó el plan de acción con medidas preventivas y correctivas a las observaciones de la auditoría externa; particularmente lo relativo a (i) la corrección de las deficiencias no significativas señaladas; y (ii) la inmaterialidad de los ajustes propuestos no registrados;

7. Se tuvo conocimiento y se aprobaron los supuestos utilizados en la elaboración del presupuesto de la Sociedad;

8. Se dio seguimiento por parte de la Sociedad, del cumplimiento de las obligaciones aplicables en las "Disposiciones de carácter general aplicables a entidades y emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de auditoría externa de estados financieros básicos";

9. Se analizaron los avances y resultados de los programas de control y auditoría interna; incluyendo, la determinación de áreas de oportunidad para mejorar la efectividad de los sistemas de auditoría interna;

10. Se analizó la administración del programa de adquisición de acciones propias;

11. Se revisó y analizó las acciones implementadas para asegurar la debida protección de la información de Axtel y de terceros ante ataques de ciberseguridad;

12. Se analizaron los efectos de las modificaciones a las políticas contables aprobadas;

13. Se revisó la matriz de riesgos de la Sociedad, su probabilidad de ocurrencia y la existencia de acciones tendientes a la remediación o en su caso mitigación, de las consecuencias adversas que la materialización de dichos riesgos pudiese causar;

14. Se tuvo conocimiento y se dio puntual seguimiento del proceso de la escisión parcial de Alfa, respecto a su patrimonio, mismo que fue el 29 de mayo de 2023, en que se dio la conclusión del proceso regulatorio de la inscripción de las acciones Controladora Axtel en el Registro Nacional de Valores y su correspondiente listado en la Bolsa Mexicana de Valores, S.A.B. de C.V.;

15. Se dio seguimiento a las diversas operaciones de financiamiento y refinanciamiento, realizadas por la Sociedad durante el ejercicio 2023;

particularmente a las operaciones mediante las cuales se pagaron de manera anticipada, los Bonos con cupón de 6.375% cuyo vencimiento correspondía a Noviembre 14, 2024. Así como, a la contratación a finales del ejercicio, de un financiamiento por la cantidad de US$60 millones de dólares, con la Corporación Financiera Internacional, a un plazo de 7 años, ligado a compromisos en materia ambiental y social; y

16. Se dio seguimiento a la formalización de los acuerdos de las asambleas de accionistas y del Consejo de Administración, en materia de auditoría.

Atentamente,

Enrique Meyer Guzmán
Comité de Auditoría y Prácticas Societarias

axtel

INFORME ANUAL DEL COMITÉ DE AUDITORÍA Y PRÁCTICAS SOCIETARIAS

10 de febrero de 2023

CONSEJO DE ADMINISTRACIÓN
DE AXTEL, S.A.B. de C.V.

En cumplimiento de lo dispuesto por el Artículo 43 de la Ley del Mercado de Valores y en mi carácter de Presidente del Comité de Auditoría y Prácticas Societarias de Axtel, S.A.B. de C.V. ("Axtel" o la "Sociedad"), así como, en representación de los demás consejeros independientes integrantes de dicho Comité, les presentamos un reporte sumario de las actividades desempeñadas por dicho Comité durante el ejercicio social terminado el 31 de diciembre de 2022.

Este informe se presenta, con base a información recibida por este órgano, y tomando en cuenta los informes, opiniones y/o comunicados de directivos relevantes y de los auditores externos e internos, todos ellos de la Sociedad, sobre los temas que le competen al Comité.

I. Actividades en relación con los Estados Financieros.

1. Se revisaron los estados financieros de Axtel y subsidiarias, por los ejercicios terminados el 31 de diciembre de 2021 y 2022, formulados en base a las Normas Internacionales de Información Financiera (IFRS, por sus siglas en inglés) y se analizaron con los auditores externos de la Sociedad su dictamen sobre dichos estados financieros y las notas a los mismos, presentados al Consejo de Administración para su proposición a las correspondientes Asambleas Generales Ordinarias anuales de Accionistas;

2. Se analizaron los respectivos proyectos de aplicación de resultados de los ejercicios mencionados, presentados al Consejo de Administración para su proposición a las correspondientes Asambleas Generales Ordinarias anuales de accionistas de fechas 7 de marzo de 2022 y 7 de marzo de 2023, respectivamente; y

3. Se tuvo conocimiento y se aprobaron los estados financieros trimestrales divulgados por la Sociedad a través de la Bolsa Mexicana de Valores, S.A.B. de C.V..

II. **<u>Actividades en relación con las operaciones de la Sociedad y sus subsidiarias, en materia de prácticas societarias.</u>**

1. Se dio continuidad a la revisión de las actividades desarrolladas por la Sociedad para enfrentar la pandemia causada por el Covid;

2. Se analizó y revisó el desempeño y la remuneración integral de los directivos relevantes;

3. Se dio seguimiento al proceso para la selección de candidatos a ocupar la dirección general de la Sociedad; aprobándose la recomendación de la administración respecto de la designación de la persona para ocupar dicho cargo;

4. Se analizaron y revisaron los planes de sucesión de los directivos relevantes;

5. Se realizaron las investigaciones necesarias para estar en aptitud de informar respecto de: (i) la inexistencia de operaciones significativas con personas relacionadas; y (ii) la ausencia de dispensas para el

aprovechamiento de negocios que correspondan a la sociedad y/o a sus subsidiarias, por parte de personas relacionadas; y

6. Se dio seguimiento a la formalización de los acuerdos de las asambleas de accionistas y del Consejo de Administración en materia de prácticas societarias.

III. **<u>Actividades en relación con la auditoría externa e interna de las operaciones de la Sociedad y sus subsidiarias.</u>**

1. Se revisó el desempeño de la firma de auditoría externa de Axtel y subsidiarias, proponiendo después del análisis, el recomendar al Consejo de Administración, la ratificación de la contratación de los servicios de Galaz, Yamazaki, Ruiz, Urquiza, S.C. ("Deloitte"), así como el importe de los honorarios, tanto de los servicios de auditoría externa de estados financieros, como de los servicios distintos a los anteriores;

2. Se analizaron los programas de auditoría presentados por los auditores externos;

3. Se autorizó la contratación de los servicios distintos a los de auditoría externa de estados financieros proporcionados por Deloitte, no encontrándose situaciones que comprometan su independencia;

4. Se evaluó el desempeño de la firma de auditoría externa, así como el de la persona responsable de la misma;

5. Se revisó y analizó con los auditores externos de la Sociedad el dictamen sobre los mecanismos de control interno adoptados por la Sociedad y sus subsidiarias;

6. Se revisó el plan de acción con medidas preventivas y correctivas a las observaciones de la auditoría externa; particularmente lo relativo a (i) la corrección de las deficiencias no significativas señaladas; y (ii) la inmaterialidad de los ajustes propuestos no registrados;

7. Se tuvo conocimiento y se aprobaron los supuestos utilizados en la elaboración del Presupuesto 2023 de la Sociedad;

8. Se dio seguimiento por parte de la Sociedad, del cumplimiento de las obligaciones aplicables en las "Disposiciones de carácter general aplicables a entidades y emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de auditoría externa de estados financieros básicos";

9. Se analizaron los avances y resultados de los programas de control y auditoría interna; incluyendo, la determinación de áreas de oportunidad para mejorar la efectividad de los sistemas de auditoría interna;

10. Se analizó la administración del programa de adquisición de acciones propias;

11. Se analizaron los efectos de las modificaciones a las políticas contables aprobadas;

12. Se revisó la matriz de riesgos de la Sociedad, su probabilidad de ocurrencia y la existencia de acciones tendientes a la remediación o en su caso mitigación, de las consecuencias adversas que la materialización de dichos riesgos pudiese causar;

13. Se revisaron y validaron las acciones desarrolladas por la administración para asegurar que los sistemas de informática de la Sociedad y de sus subsidiarias, cuentan con las medias de protección y seguridad adecuadas para garantizar la continuidad de las operaciones sociales y en su caso mitigar las consecuencias de potenciales ataques cibernéticos;

14. Se tuvo conocimiento y se dio puntual seguimiento a la auditoría interna en la cual se revisaron y fortalecieron las políticas y procedimientos aplicables en la contratación de canales de distribución y en la contratación de terceros mediante asignación directa;

15. Se tuvo conocimiento y se dio puntual seguimiento a la decisión adoptada en asamblea general extraordinaria de accionistas de nuestra controladora Alfa, S.A.B. de .V., para llevar a cabo una escisión parcial de su patrimonio, transfiriendo a una nueva sociedad (Controladora Axtel), el 100% de la participación accionaria que actualmente detentan en el capital social de Axtel, S.A.B. de C.V.;

16. Se dio seguimiento a las revisiones iniciadas por autoridades fiscales, respecto de operaciones realizadas por la Sociedad y/o sus subsidiarias en ejercicios anteriores; y

17. Se dio seguimiento a la formalización de los acuerdos de las asambleas de accionistas y del Consejo de Administración, en materia de auditoría.

Atentamente,

Enrique Meyer Guzmán
Comité de Auditoría y Prácticas Societarias

axtel

INFORME ANUAL DEL COMITÉ DE AUDITORÍA
Y PRÁCTICAS SOCIETARIAS

15 de febrero de 2022

CONSEJO DE ADMINISTRACIÓN
DE AXTEL, S.A.B. de C.V.

En cumplimiento de lo dispuesto por el Artículo 43 de la Ley del Mercado de Valores y en mi carácter de Presidente del Comité de Auditoría y Prácticas Societarias de Axtel, S.A.B. de C.V. ("Axtel" o la "Sociedad"), así como, en representación de los demás consejeros independientes integrantes de dicho Comité, les presentamos un reporte sumario de las actividades desempeñadas por dicho Comité durante el ejercicio social terminado el 31 de diciembre de 2021.

Este informe se presenta, con base a información recibida por este órgano, y tomando en cuenta los informes, opiniones y/o comunicados de directivos relevantes y de los auditores externos e internos, todos ellos de la Sociedad, sobre los temas que le competen al Comité.

I. Actividades en relación con los Estados Financieros.

1. Se revisaron los estados financieros de Axtel y subsidiarias, por los ejercicios terminados el 31 de diciembre de 2020 y 2021, formulados en base a las Normas Internacionales de Información Financiera (IFRS, por sus siglas en inglés) y se analizaron con los auditores externos de la Sociedad su dictamen sobre dichos estados financieros y las notas a los mismos, presentados al Consejo de Administración para su proposición a las correspondientes Asambleas Generales Ordinarias anuales de Accionistas; y

2. Se analizaron los respectivos proyectos de aplicación de resultados de los ejercicios mencionados, presentado al Consejo de Administración para su proposición a las correspondientes Asambleas Generales Ordinarias anuales de accionistas de fechas 5 de marzo de 2021 y 7 de marzo de 2022, respectivamente.

II. **Actividades en relación con las operaciones de la Sociedad y sus subsidiarias, en materia de prácticas societarias.**

1. Se analizaron y revisaron las actividades desarrolladas por la Sociedad para enfrentar la pandemia causada por el Covid, vigilando que se privilegiara el cuidado de la salud de los colaboradores, la habilitación de las instalaciones, el fomento del trabajo a distancia y el aseguramiento de la continuidad de las operaciones bajo adecuadas medidas sanitarias;

2. Se analizó y revisó el desempeño y la remuneración integral de los directivos relevantes;

3. Se dio seguimiento al proceso de sucesión por jubilación, en la dirección general, ratificándose la recomendación de la administración respecto de la designación de la persona para ocupar dicho cargo;

4. Se analizaron y revisaron los planes de sucesión de los directivos relevantes;

5. Se tuvo conocimiento de las acciones implementadas por la Sociedad, para ajustar su estructura corporativa, así como el esquema de prestación de servicios corporativos a efecto de ajustarlos a las nuevas normas en materia de contratación y subcontratación de servicios;

6. Se realizaron las investigaciones necesarias para estar en aptitud de informar respecto de: (i) la inexistencia de operaciones significativas con personas relacionadas; y (ii) la ausencia de dispensas para el aprovechamiento de negocios que correspondan a la sociedad y/o a sus subsidiarias, por parte de personas relacionadas; y

7. Se dio seguimiento a la formalización de los acuerdos de las asambleas de accionistas y del Consejo de Administración en materia de prácticas societarias.

III. **<u>Actividades en relación con la auditoría externa e interna de las operaciones de la Sociedad y sus subsidiarias.</u>**

1. Se revisó el desempeño de la firma de auditoría externa de Axtel y subsidiarias, proponiendo después del análisis, el recomendar al Consejo de Administración, la ratificación de la contratación de los servicios de Galaz, Yamazaki, Ruiz, Urquiza, S.C. ("Deloitte"), así como el importe de los honorarios, tanto de los servicios de auditoría externa de estados financieros, como de los servicios distintos a los anteriores;

2. Se analizó y procedió al plan de rotación del auditor externo de Deloitte, a fin de dar cumplimiento a las disposiciones legales aplicables;

3. Se analizaron los programas de auditoría presentados por los auditores externos;

4. Se autorizó la contratación de los servicios distintos a los de auditoría externa de estados financieros proporcionados por Deloitte, no encontrándose situaciones que comprometan su independencia;

5. Se evaluó el desempeño de la firma de auditoría externa, así como el de la persona responsable de la misma;

6. Se revisó y analizó con los auditores externos de la Sociedad el dictamen sobre los mecanismos de control interno adoptados por la Sociedad y sus subsidiarias;

7. Se revisó el plan de acción con medidas preventivas y correctivas a las observaciones de la auditoría externa; particularmente lo relativo a (i) la corrección de las deficiencias significativas señaladas; y (ii) la inmaterialidad de los ajustes propuestos no registrados;

8. Se dio seguimiento por parte de la Sociedad, del cumplimiento de las obligaciones aplicables en las "Disposiciones de carácter general aplicables a entidades y emisoras supervisadas por la Comisión Nacional Bancaria y de Valores que contraten servicios de auditoría externa de estados financieros básicos";

9. Se analizaron los avances y resultados de los programas de control y auditoría interna; incluyendo, la determinación de áreas de oportunidad para mejorar la efectividad de los sistemas de auditoría interna;

10. Se analizó la administración del programa de adquisición de acciones propias;

11. Se analizaron los efectos de las modificaciones a las políticas contables aprobadas;

12. Se revisó la matriz de riesgos de la Sociedad, su probabilidad de ocurrencia y la existencia de acciones tendientes a la remediación o en su caso mitigación, de las consecuencias adversas que la materialización de dichos riesgos pudiese causar;

13. Se revisaron y validaron las acciones desarrolladas por la administración para asegurar que los sistemas de informática de la Sociedad y de sus subsidiarias, cuentan con las medias de protección y seguridad adecuadas para garantizar la continuidad de las operaciones sociales y en su caso mitigar las consecuencias de potenciales ataques cibernéticos;

14. Se dio seguimiento a las revisiones iniciadas por autoridades fiscales, respecto de operaciones realizadas por la Sociedad y/o sus subsidiarias en ejercicios anteriores; y

15. Se dio seguimiento a la formalización de los acuerdos de las asambleas de accionistas y del Consejo de Administración, en materia de auditoría.

Atentamente,

Enrique Meyer Guzmán
Comité de Auditoría y Prácticas Societarias