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

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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.

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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

Efra Fdz

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

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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.

2022

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

On July 12, 2022, Alfa SAB Stockholders approved the spin-off of its entire ownership interest in Axtel. Alfa SAB carried out the process as a 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.

<u>*Market risk*</u>

(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.

<u>2023 rates</u>

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.

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