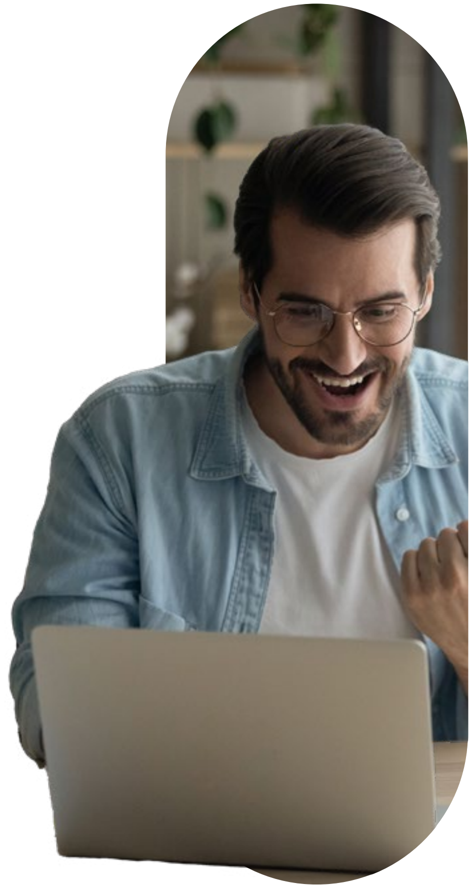
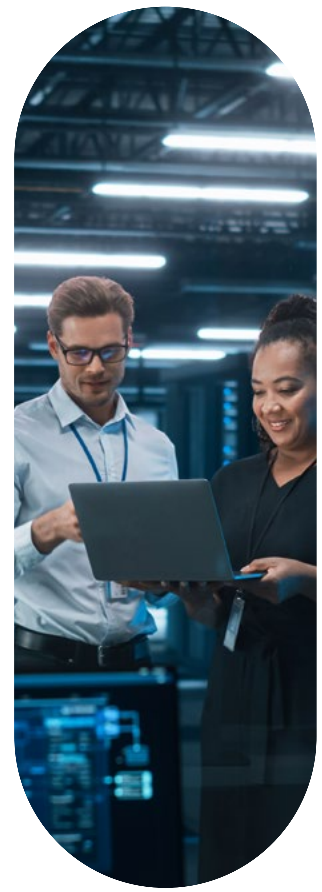
Moving forward

Defining the **future of Telecommunications**

ANNUAL INTEGRATED REPORT 2022

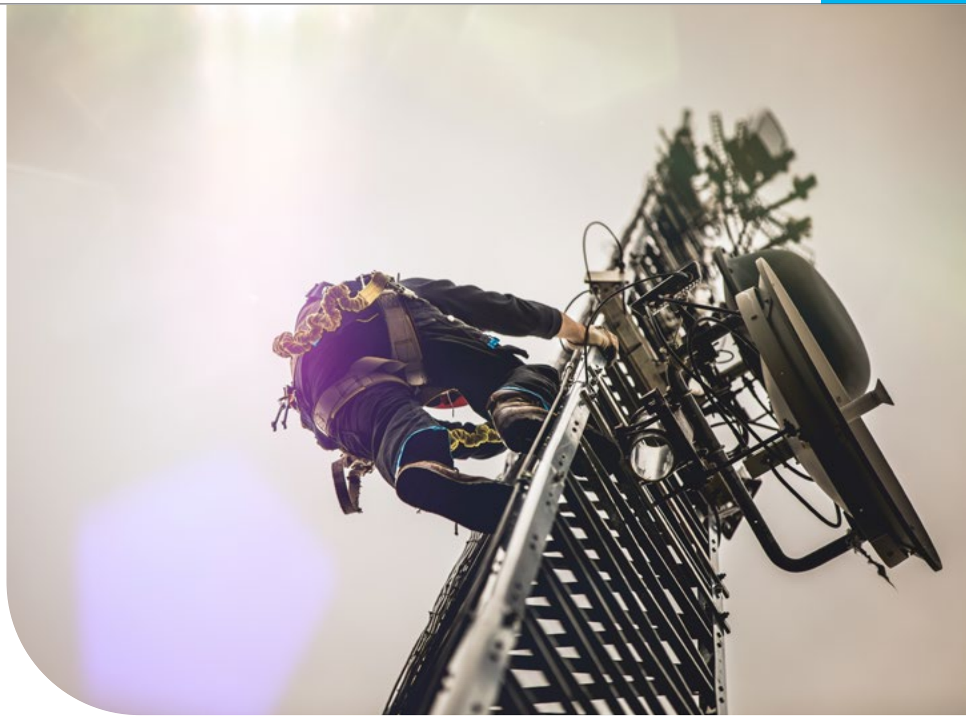
2022





Content

2022 AT A GLANCE



48,800 KM OF FIBER OPTIC NETWORK

+12,000 CUSTOMERS SERVED

$10,480 MILLION IN REVENUE

46 HOURS ON AVERAGE OF TRAINING PER EMPLOYEE

51.1 % OF THE ENERGY WE CONSUME COMES FROM CLEAN OR RENEWABLE SOURCES

1st VIRTUAL MOBILE OPERATOR FOCUSED EXCLUSIVELY ON BUSINESS SEGMENT IN MEXICO

+$181,000 DONATED BY OUR EMPLOYEES FOR SOCIAL CAUSES

$3,011 MILLION FLOW[1]

50 KG OF PAPER AND CARDBOARD SENT FOR RECYCLING

12 % INCREASE IN S&P CSA RATING[2]

[1] Flow: operating income, plus depreciation and amortization, plus impairment of fixed assets.
[2] Increase from the 2021 assessment.

Note: in this integrated annual report, amounts are presented in Mexican pesos and nominal dollars (US), except where otherwise noted.

TO OUR **STAKEHOLDERS,**

2022 WAS A MOMENTOUS YEAR FOR AXTEL. THE SHAREHOLDERS OF ALFA APPROVED THE SPIN-OFF OF THEIR SHAREHOLDING IN THE COMPANY TO A NEW ENTITY CALLED "CONTROLADORA AXTEL", WHICH WILL BRING WITH IT NEW PERSPECTIVES TO DRIVE OUR STRATEGIC AGENDA, MAINTAINING THE SAME CORPORATE GOVERNANCE, ADMINISTRATIVE TEAM AND INTERNAL CONTROL POLICIES THAT HAVE CHARACTERIZED OUR EXECUTION AND TRANSPARENCY.

At Alestra, the services unit, convinced of the importance of providing an increasingly specialized and consultative service, we launched a new commercial and pre-sales approach through a Business Lines model. We managed to increase the level of acquisition of new projects by 13%, compared to the previous year; the fastest growing lines were Managed Networks, Cybersecurity and Cloud with 37%. Likewise, the quantity and quality of the economic proposals presented to clients, the operating margin of Cloud services and Systems Integration and the competitiveness of offers for Cloud and Collaboration, were improved.

Under this business unit **we continued to develop innovative and cutting-edge solutions for our customers,** such as Enterprise Mobility Management (EMM), the new functionality of Alestra Móvil that contributes to accelerating digital transformation processes in organizations; Blitz Architecture, a lightning strategy of technological modernization where we help our clients migrate to a platform suitable to drive their digital transformation; Secure Cloud, managed solution, designed to provide visibility of workloads, governance, compliance, management and knowledge of the security position of our customers, in order to reduce the opportunities of cybercriminals; and Alestra's alliance with Yellow.ai to transform the experience of millions of Mexican consumers and users with Conversational Artificial Intelligence.

In the government segment, we reinforced the strategic vision and commercial team, laying the foundations **to expand opportunities and positioning in new states and federal entities,** hand in hand with a new relationship with manufacturers and commercial partners that allowed us to expand opportunities during the year and for 2023.

On the other hand, from Axtel Networks, the infrastructure unit, **we remain focused on supporting operators to grow the coverage of their networks and capacities** with 48,800 kilometers of fiber optic network, Ethernet access to 72 cities with connectivity solutions such as high-capacity Wavelengths, dark and illuminated fiber links, IP Transit ports and last mile access to the main stationary and mobile operators.

In 2022, sales decreased 8% reaching Ps. 10,480 million, however, we achieved a clear trend of sequential recovery in the second half of the year, with a growth of 6%.

At Alestra, enterprise segment revenue increased 1% in 2022, where digital transformation and systems integration solutions performed strongly, increasing revenue by 12% and 5%, respectively.

On the other hand, revenues of the government segment fell 25%; however, in the second half of the year we witnessed a growth of 10% compared to the first semester, evidencing the success of the new strategy of positioning and proximity to federal entities and new states of the country.

In the year, Axtel Networks' revenues decreased 13%, which were affected particularly by a wholesale mobile customer and by a lower level of dark fiber contracts compared to the levels witnessed in the last two years. In the second half of the year, revenues increased 7% sequentially.

A priority goal is to strengthen our capital structure, including the refinancing of notes due in 2024. Reflecting the banks' confidence in the Company, at the end of 2022 we refinanced a bank loan for Ps. 3,000 million, with a term of 10 years. Also, at the beginning of 2023, we obtained a bank loan for US $100 million for a term of 5 years. During the year we generated solid pre-tax cash flow of US $47 million and managed to reduce net debt by 6%.

We work to offer our customers in all segments the best experience, which was reflected in their level of satisfaction in the Net Promoter Score (NPS) surveys we applied during the year. In all cases we exceeded the objective set, which is above the world reference.

From the environmental, social and corporate governance (ESG) perspective, this year we created the **Sustainability Steering and Operational Committee** with the aim of establishing the strategic vision of sustainable development of the business and defining the actions that allow us to maintain and accelerate the implementation of the Sustainability Model.

In this same line, **we updated our materiality analysis, integrating the concept of double materiality**. The result was eight topics of high relevance, whose objectives, management and performance we present throughout this report.

ÁLVARO FERNÁNDEZ GARZA
Co-Chairman of the Board of Directors

TOMÁS MILMO SANTOS
Co-Chairman of the Board of Directors

ARMANDO DE LA PEÑA
Chief Executive Officer

Reaffirming our commitment to sustainable development, in 2022, the 58/100 rating we obtained in the S&P Global Corporate Sustainability Assessment stands out, reaching the 83rd percentile in the global Telecommunications industry.

Likewise, **Axtel maintains its commitment to the Ten Principles of the United Nations Global Compact**, through this sustainability initiative, we work to create an environment with greater opportunities for all, contributing to the achievement of the Sustainable Development Goals.

With our more than four thousand employees, **we continue to build capacities towards digitalization by providing them with an average of 46 hours of training,** as well as the opportunity to be certified in different technologies to face the accelerated changes in our industry.

Seeking to reduce our environmental footprint, **51% of energy consumption came from clean or renewable sources**, in addition to continuing with the process of shutting down telephone exchanges and microwave links.

Along the way to consolidating our commitment to corporate social responsibility, **we published the Corporate Philanthropy Directive**. We supported different initiatives focused on education and labor inclusion, and we delivered more than Ps. 180,000 in donations for institutions that serve different social causes.

In 2023, we are excited to see opportunities to resume growth, with a business model strengthened and supported by Axtel's capabilities and positioning to take advantage of market trends of growing demand for connectivity, derived from the arrival of Data Centers and 5G deployments, as well as the growing adoption of digital transformation solutions, driven by the hybrid work model and relocation of companies or nearshoring. We will also continue with strict financial discipline with a focus on protecting the profitability of the business and maintaining a solid Flow level.

ON BEHALF OF AXTEL'S BOARD OF DIRECTORS, WE EXPRESS OUR GRATITUDE TO AXTEL'S EMPLOYEES WHO, WITH COMMITMENT, TALENT AND DEDICATION, HAVE CONTRIBUTED TO ENABLING OUR CUSTOMERS AND THEIR INDUSTRIES TO BE MORE PRODUCTIVE THROUGH DIGITALIZATION. WE ALSO THANK OUR CUSTOMERS, SUPPLIERS, FINANCIAL INSTITUTIONS AND SHAREHOLDERS FOR THEIR TRUST AND SUPPORT.

Sincerely,

Álvaro Fernández Garza
Co-Chairman of the Board of Directors

Tomás Milmo Santos
Co-Chairman of the Board of Directors

Armando de la Peña
Chief Executive Officer

01 OUR BUSINESS

Axtel is part of ALFA, S.A.B. de C.V., a Mexican consortium that manages a diversified business portfolio, made up of Alpek, Sigma and Axtel, with presence in 19 countries in America and Europe.

On July 12, 2022, ALFA held an Extraordinary Shareholders' Meeting where the spin-off of its entire shareholding in Axtel was approved.

ALFA established a stock exchange company with variable capital as a spin-off company ("Controladora Axtel"), which will be listed on the Mexican Stock Exchange, to which it will transfer its entire participation in the capital stock of Axtel, as well as other assets and capital. ALFA expects to complete the spin-off, listing and distribution processes of shares at the beginning of 2023.

ALFA shareholders will receive one share of Controladora Axtel for each of their ALFA shares, in addition to retaining their participation in the share capital of ALFA.

We provide a wide range of technological solutions through our two business units: Axtel Networks, Infrastructure Unit; and Alestra, Services Unit.

Axtel Networks specializes in offering infrastructure solutions to meet the needs of international and national operators, data centers, Internet giants, content providers and cloud.

Alestra meets the digital requirements of companies and government agencies through the most advanced Information and Communication Technology (ICT) solutions.

WE ARE A MEXICAN COMPANY THAT PROVIDES THE MOST COMPREHENSIVE INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES.

BUSINESS EVOLUTION

2 BUSINESS UNITS = SPECIALIZATION, CUSTOMER EXPERIENCE, ASSET MAXIMIZATION AND ICT VETERANCY

INFRASTRUCTURE UNIT

axnet | AXTEL NETWORKS

Axnet. We are the leading neutral fiber optic network operator in Mexico.

Our fiber network coverage is constantly growing to support the growing demand of domestic and international operations.

We provide connectivity for national, international, fixed and mobile networks, and data center operators. Thanks to our network of wide coverage and capillarity.

We have digitized processes to offer the best experience to our customers.

SERVICES UNIT

alestra

Alestra. We are the main enabler of digital transformation in Mexico.

Our Product Lines offer a highly specialized and close service to our customers.

With our strategic alliances and high experience, we create value solutions for companies and government institutions.

Our robust portfolio integrates technological solutions of high value and availability, in alliance with the world's leading manufacturers.

AXTEL'S VALUE IS IN OUR PEOPLE AND OUR COMMITMENT TO BECOMING TRUE ALLIES TO OUR CUSTOMERS.

AXNET | AXTEL NETWORKS

INFRASTRUCTURE
NEUTRAL PROVIDER

SERVICE PORTFOLIO

- Last mile access
- IP Transit
- Fiber (dark and lighted)
- Fiber to the tower
- Fiber to Data Center
- Radio spectrum
- Collocation

ALESTRA

SERVICES

SPECIALIZED SERVICES THROUGH 8 FAMILIES

1. **CONNECTIVITY** High availability and robustness
2. **SYSTEM INTEGRATION** Evolution and integration
3. **MANAGED NETWORKS** Continuity and visibility
4. **CYBERSECURITY** Protection and trust
5. **COLLABORATION** Productivity and efficiency
6. **DIGITAL TRANSFORMATION** Transformation and digitization
7. **CLOUD** Flexibility and growth
8. **MOBILITY** High availability, agility and convergence

DIGITAL TRANSFORMATION

CLOUD
- Infrastructure and applications as a service
- Multicloud
- Digitalization and IoT

CYBERSECURITY
- IT & Networks & Consulting

MOBILITY
- Enterprise Mobile Network Operator (MVNO)

COLLABORATION
- Unified Communications/ Videoconferencing

VALUE ADDED

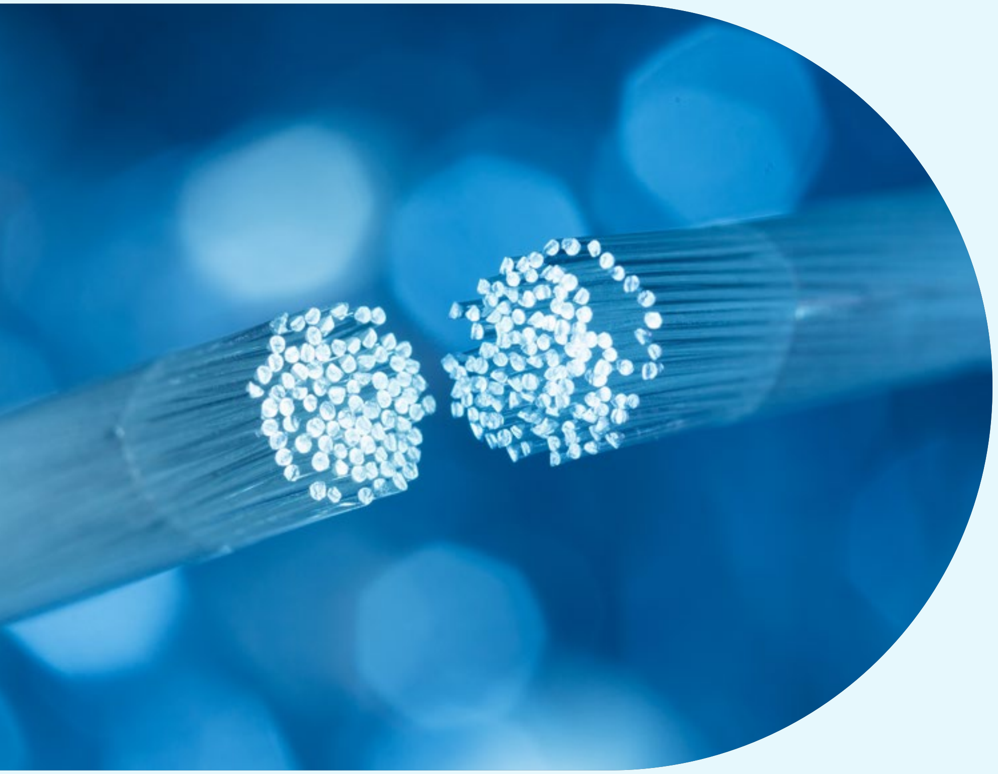
SYSTEM INTEGRATION
- DRP
- System Integration

MANAGED SERVICES
- Managed networks

BASED ON INFRASTRUCTURE

STANDARD SERVICES
- Data and Internet
- Voice

NETWORK SERVICES
- Ethernet
- LAN
- SDWAN
- VPN
- WiFi



WE PROVIDE WORLD-CLASS INFRASTRUCTURE SOLUTIONS ACROSS OUR LONG-DISTANCE FIBER OPTIC NETWORK AND SPECTRUM TO EXPAND THE CAPABILITIES OF NATIONAL AND INTERNATIONAL OPERATORS, MOBILE AND DATA CENTERS, INTERNET GIANTS, CONTENT PROVIDERS AND CLOUD.

INFRASTRUCTURE UNIT

AXTEL NETWORKS

We are a link before our customers can reach the customer or end user.

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

We currently provide Ethernet access to 72 cities with connectivity solutions such as high-capacity Wavelengths, dark and illuminated fiber links, IP Transit ports and last mile access, to the main fixed and mobile operators.

We consider ourselves a great ally for our clients so that they, in turn, serve their users in a timely manner. Every year, the main challenge is to ensure the operational continuity of our infrastructure and services, for which we invest in state-of-the-art infrastructure that allows us to provide a reliable, continuous and quality service for our clients.

WE HAVE A FIBER OPTIC NETWORK OF
48,800 KM

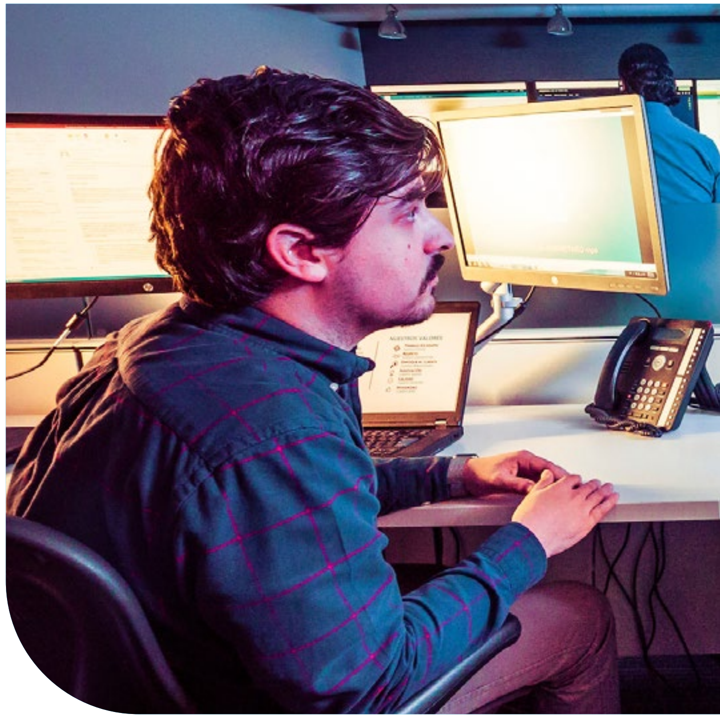
We provide connectivity to the main data centers in Querétaro, with a deployment of 81 km of fiber optics. Also, in the last two years we have provided fiber connectivity to the tower (FTTT) with 1,064 km of fiber optics. Also, we implemented a growth of Ethernet rings in a network of 11,740 km of optical fiber, with growth to 100 Gbps in Southeast and North Pacific ring.

On the other hand, this year we started a project to undertake 35 business centers and 25 industrial parks, in addition to the 346 and 68, respectively, that we already have in our portfolio. Likewise, we expanded our operational sites by enabling 13 new presence points.

To meet the demand of our enterprise customers, we deployed an additional 500 Gb in internet outputs.

AXTEL NETWORKS REVENUE
(millions of Mexican pesos)

Note. Includes inter-unit Alestra income.



IN 2022 WE GREW THE COVERAGE OF OUR METROPOLITAN NETWORK WITH A **DEPLOYMENT OF 1,500 KM OF FIBER OPTICS NATIONWIDE**.

OUR INFRASTRUCTURE

7, 10.5, 15, 23 Y 38 GHZ
MICROWAVES FOR LAST MILE CONNECTIVITY AND BUSINESS SECTOR METROPOLITAN COVERAGE

69 CITIES
WITH LOCAL SERVICE

72 CITIES
WITH ETHERNET DATA SERVICES

48,800 KM
OF FIBER OPTIC NETWORK

23,800 KM
OF LONG-DISTANCE NETWORK

25,000 KM
OF METROPOLITAN NETWORK

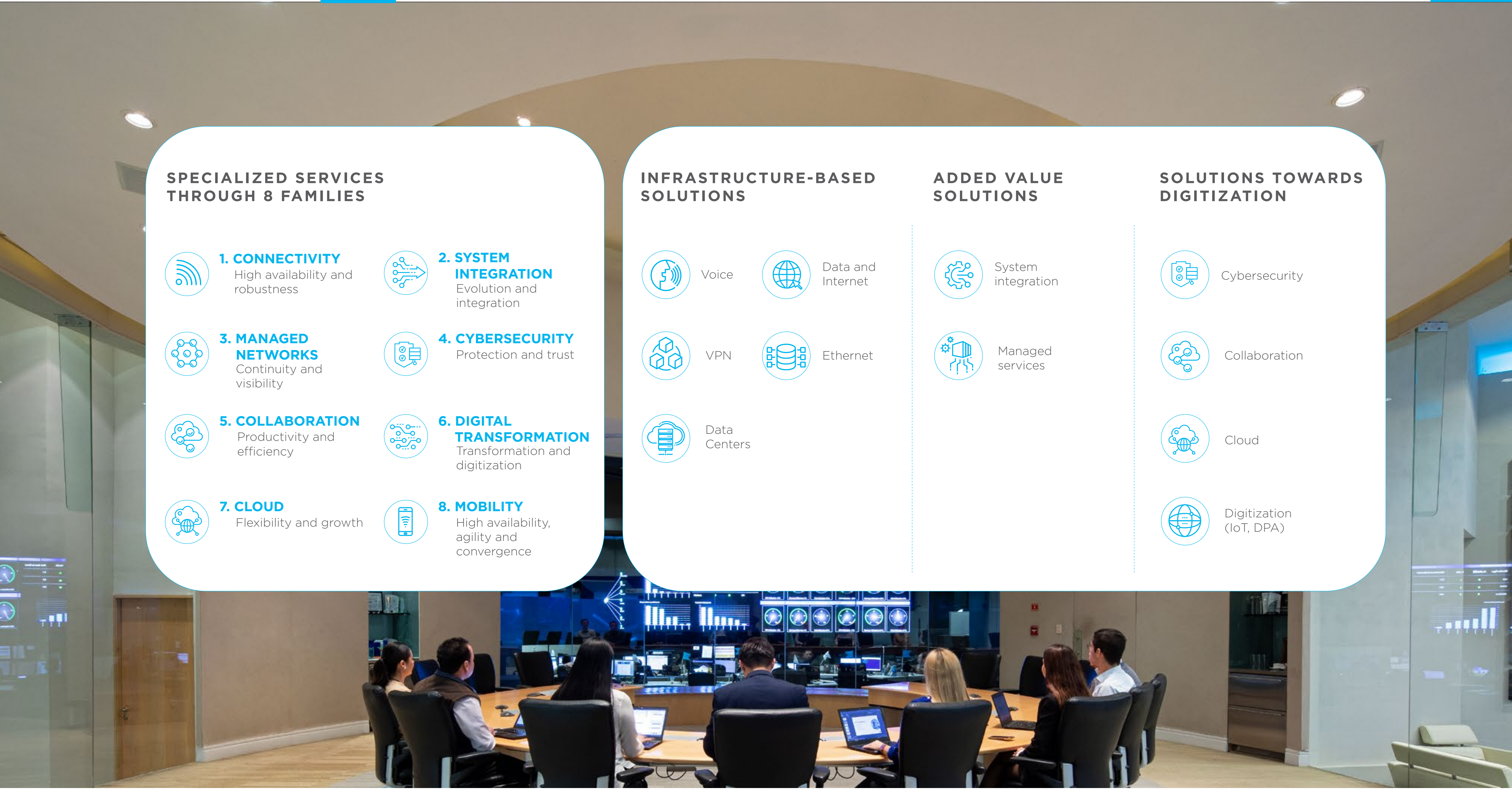
IN ALESTRA **#SOMOSEXPERTOS** (WE ARE EXPERTS) AND THE LEADING ALLY IN OUR CUSTOMERS' DIGITAL TRANSFORMATION.

SERVICES UNIT

ALESTRA

We provide advanced Information and Communication Technology (ICT) solutions to more than 12,000 government and business clients from different sectors, which are based on the use of managed network tools, collaboration, cybersecurity, systems and cloud integration, mobility, digital transformation, and connectivity.

Through the product lines we provide highly specialized and close attention to our customers.



SPECIALIZED SERVICES THROUGH 8 FAMILIES

1. CONNECTIVITY
High availability and robustness

2. SYSTEM INTEGRATION
Evolution and integration

3. MANAGED NETWORKS
Continuity and visibility

4. CYBERSECURITY
Protection and trust

5. COLLABORATION
Productivity and efficiency

6. DIGITAL TRANSFORMATION
Transformation and digitization

7. CLOUD
Flexibility and growth

8. MOBILITY
High availability, agility and convergence

INFRASTRUCTURE-BASED SOLUTIONS

- Voice
- Data and Internet
- VPN
- Ethernet
- Data Centers

ADDED VALUE SOLUTIONS

- System integration
- Managed services

SOLUTIONS TOWARDS DIGITIZATION

- Cybersecurity
- Collaboration
- Cloud
- Digitization (IoT, DPA)

Since 2021, we have created a series of comprehensive solutions, key to the optimal performance of our customers. These include:

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

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

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

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

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

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

WE PROVIDE THESE SOLUTIONS TO A WIDE RANGE OF CLIENTS, SO WE CLASSIFY THE SECTORS **WE SERVE INTO TWO MARKETS: BUSINESS AND GOVERNMENT**.

BUSINESS MARKET

We contribute to the digital transformation of companies in several sectors by providing them with access to business or technology-driven opportunities. Our portfolio consists of comprehensive high-availability solutions focused on helping organizations improve their efficiency, productivity and competitiveness, while allowing them to adapt to market changes.

We offer a personalized approach for each client, helping them identify their specific needs and develop a plan to achieve their goals through technology.

During 2022 we released two new disruptive solutions to the market due to their ability to integrate several technology partners in the same value offer.

- **Secure Cloud.** Managed solution designed to deliver workload visibility, governance, compliance, management, and insight, together with AWS | Intel and Fortinet.
- **Blitz Architecture.** Lightning strategy of technological modernization. Designed to migrate from a current environment to a more robust platform, combined with AWS, IBM, Nutanix and Veritas.

In addition, we added the integral proposal of verticalized solutions to the portfolio, to meet the business drivers of companies in the trade and manufacturing sector.

ALESTRA BUSINESS MARKET REVENUE
(millions of Mexican pesos)

IN 2022 WE PROVIDED SOLUTIONS TO MORE THAN **12,000 ENTERPRISE CUSTOMERS.**

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

ALESTRA MÓVIL

With the introduction of Alestra Móvil in 2021, we positioned ourselves as the first virtual mobile network operator enterprise in Mexico. Our intention is to give companies the ability to bring their experiences, tools and fixed technologies to a smartphone, allowing them to have control over the operations of their companies from anywhere, with the guarantee of the highest availability and security in the market.

In 2022, we presented Enterprise Mobility Management (EMM), the new functionality of Alestra Móvil that helps companies to fully manage the mobility cycle of their organization when they need it and from anywhere. EMM favors operational control and decision-making from the same platform, so that companies manage and configure with total autonomy the security levels of their applications, tools, and devices of their employees according to their mobility policies.

With this new functionality we contribute to accelerate digital transformation processes in organizations, establishing the bases to increase levels of performance and productivity thanks to the agility in the teams' management, which can translate into significant savings in time and costs for our customers.

On the other hand, seeking to make team collaboration more efficient in industries where they require immediate communication under an encrypted and secure environment, we developed *Alta Seguridad* Agnet 500, a critical collaboration mobile platform that allows to provide more efficient, secure and reliable group communications. This solution was created in partnership with Airbus SLC Mexico, a leading company and expert in critical communications in the world.

Alta Seguridad Agnet 500 offers smarter devices through Push to Talk functionality, offering a simple and intuitive user interface, since with the press of a button on their smartphone the user can talk, send multimedia messages or even live and end-to-end encrypted videos to their group with different ranges over broadband: 3G, 4G (LTE) and Wi-Fi.

Alta Seguridad Agnet 500 allows, among other things:

- Private and/or group calls and messages
- Private video calls with audio
- Real-time geolocation tracking and reports
- Emergency alerts and calls
- Fallen man

In 2022, as a result of the continuous effort to strengthen the relationship with our strategic partners and increase our level of technological specialization, we reached new levels of partnership and performance recognitions.

LEVELS

PARTNER	GROWTH
Checkpoint	4 stars
Zoom	Performance
Nutanix	Champion Level
AWS	Advanced Level
Veritas	Gold Level

RECOGNITIONS

ENTITY	RECOGNITION
Huawei	Fast Gowth Carrier Partner of the Year 2022
Poly	Platinum Level Best Financial Project Best Integrator of the Year
Fortinet	MSSP of the Year Northern Region 2022
Cisco	Mkt Partner of the Year
Nutanix	Rookie of the Year
AWS	Partner Marketing of the Year Mexico 2022

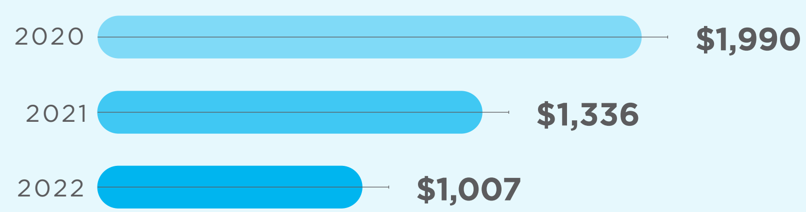
GOVERNMENT MARKET

We contribute so that the public sector has the best technology available to meet the needs of Mexicans. To deliver on this commitment, we design government-specific ICT solutions for topics such as road safety, one-stop-shop applications and cloud services.

This year, we focused on renewing expired contracts and developing proactive solutions, identifying customer needs in order to offer solutions that result in better service for citizens.

WE ARE CONSTANTLY IMPLEMENTING STRATEGIES FOR ADVANCED CONNECTIVITY SERVICES, CYBERSECURITY, MANAGED SERVICES, AND A CLOUD-BASED PORTFOLIO **TO MAKE GOVERNMENT PROCESSES MORE AGILE.**

ALESTRA GOVERNMENT MARKET REVENUE
(millions of Mexican pesos)



CUSTOMER EXPERIENCE

We develop the necessary technology to ensure that the attention, response times and experience always live up to the expectations of our external and internal customers. We are convinced that to the extent that we provide our employees and customers with better tools that facilitate an agile, efficient and timely service, everyones experience will be satisfactory.

As part of our omnichannel strategy (integration of channels that provide the same experience), we enabled the business WhatsApp channel in the middle of the year, so that the client can self-manage requests for information from their account and follow up on their technical incidents.

WE RECEIVE **10% OF CUSTOMER INTERACTIONS VIA WHATSAPP.**

We provide our clients with **Alestra One Touch**, an online self-service portal available where they can submit technical or administrative requests and track their progress, as well as information on account statements, invoices, payment supplements, active services and orders in progress.

In 2022 we strengthened with new Alestra One Touch sections in web and mobile versions, we made the technical support section more intuitive and enabled an intelligent **Ale bot** to facilitate the use of the portal.

At the end of the year, 48% of customer interactions were made through a digital channel, reflecting the adoption of our self-service strategy.

On the other hand, we continued with the calendars of annual visits to our clients in order to give proactive and consultative attention to detect any failure, incident or dissatisfaction with Axtel's services in a timely manner. This initiative allows us to maintain closeness with the client.

The result of this set of initiatives was reflected in an increase in customer satisfaction compared to 2021, in addition to percentages higher than the target set for 2022.

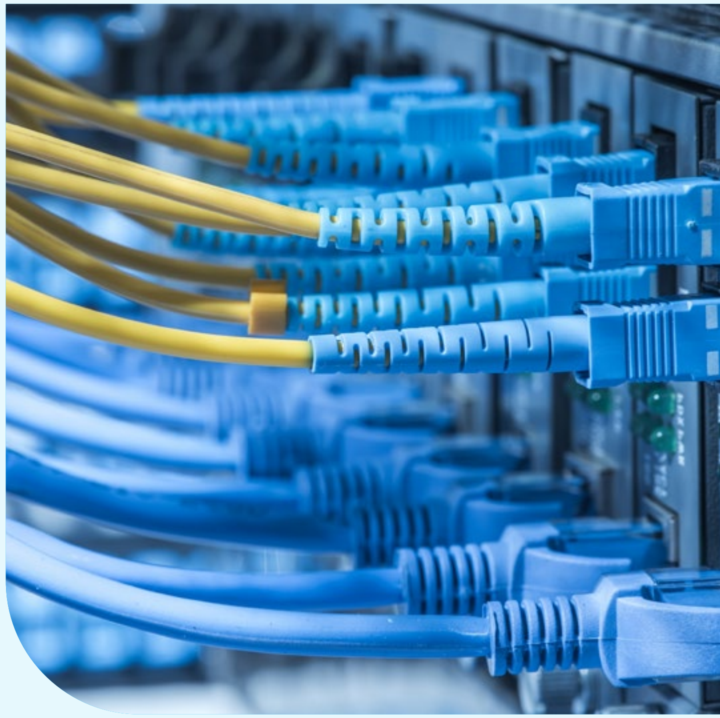
CURRENTLY MORE THAN **11,000 USERS ARE REGISTERED AND INTERACT IN ALESTRA ONE TOUCH.**

WE IMPLEMENTED **20 NEW INITIATIVES** FOCUSED ON IMPROVING THE DIGITAL EXPERIENCE OF CUSTOMERS.

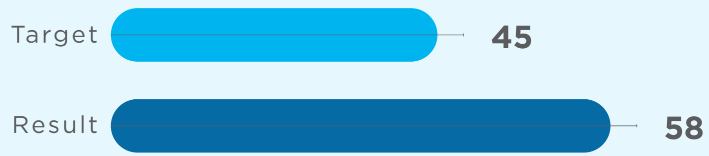
TARGETS AND NPS RESULTS 2022

Additionally, during 2022 we measured the expectations of our customers by segment and their level of satisfaction from the Net Promoter Score (NPS) surveys. In all cases we exceeded the stated objective.

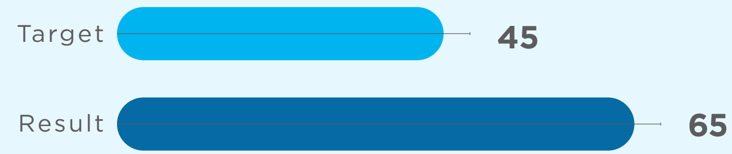
WE EXCEEDED NPS GOALS STATED FOR 2022.



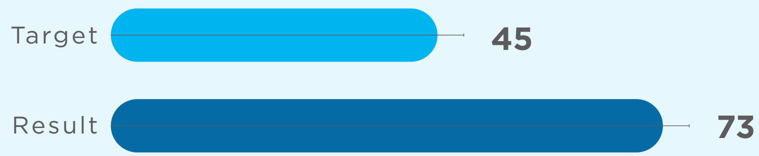
ALESTRA



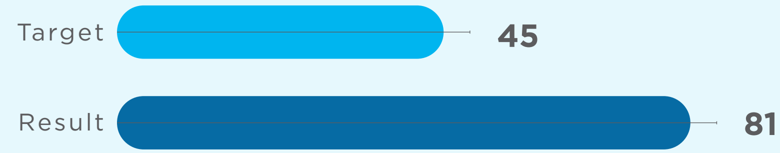
FEDERAL GOVERNMENT MARKET



AXTEL NETWORKS



STATE GOVERNMENT MARKET



SUPPLY CHAIN

The quality and sustainability of the solutions we provide to our customers is closely linked to the decisions we make in our supply chain.

In this regard, we work with our suppliers always in line with policies, requirements and assessments that consider the environmental, social and governance (ESG) issues that are key to our stakeholders. In addition to asking them to comply with the Official Mexican Standards, with municipal, state and federal regulations and laws, and with the provisions established by official organizations such as Civil Protection, the Mexican Secretariat of Labor and Social Welfare, and the International Labour Organization (ILO).

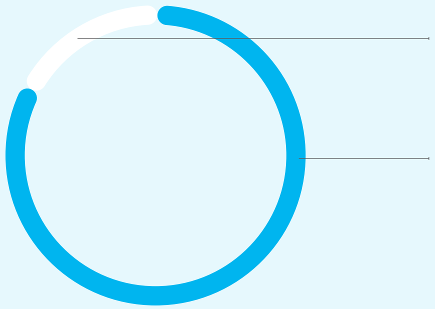
Similarly, 100% of our suppliers are aware of the Supplier Selection policy, the anti-corruption policies and procedures that apply to them, and they follow the Axtel Code of Ethics for Suppliers.

To ensure that our suppliers understand and apply our standards in terms of sustainability, safety, hygiene and occupational health, during 2022 we evaluated six suppliers on environmental issues and selected 81 new suppliers based on social criteria, without finding actual and/or potential negative impacts. We did not identify suppliers at risk of presenting cases of child labor, nor of forced or compulsory labor.

Likewise, we identified critical suppliers to our operation based on criteria such as the highest recorded level of annual purchases, high sensitivity in the business, complexity, and overall high cost to replace them. Considering these elements, 2% of Axtel's suppliers are critical to our operation, as 27% of our total purchases are directed to their companies.

We seek to conduct most of our transactions with local suppliers in order to promote local interaction and the strengthening of the national economy.

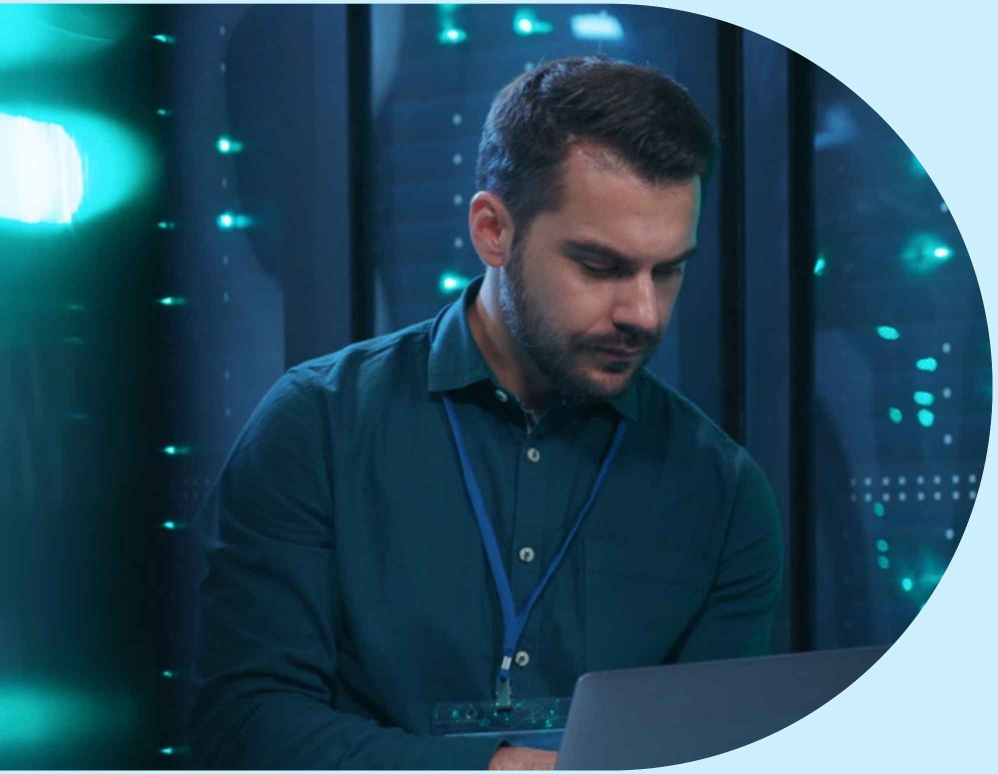
PROPORTION OF EXPENDITURE ALLOCATED TO SUPPLIERS ACCORDING TO THEIR ORIGIN



SUPPLIERS TO WHOM WE COMMUNICATE ANTI-CORRUPTION POLICIES AND PROCEDURES BY REGION

	NORTHERN REGION		WESTERN REGION		CENTRAL REGION		SOUTHERN REGION	
	SME	Large	SME	Large	SME	Large	SME	Large
Domestic	43	151	8	29	31	233	4	13
Foreign	-	44	-	-	-	-	-	-
Total	**43**	**195**	**8**	**29**	**31**	**233**	**4**	**13**

Note. We consider as SMEs companies that have between 1 and 30 workers or that generate annual sales of more than 4 million and up to 100 million Mexican pesos. And large to companies with more than 30 workers and sales exceeding 100 million Mexican pesos.



DATA SECURITY

At Axtel we prioritize the security of our services, as well as the confidentiality of the information we manage. We have an **Information Security Management System** in place to ensure the integrity and confidentiality of information.

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

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

INFORMATION SECURITY FRAMEWORK AND PROCESSES

- **Cybersecurity culture:** awareness and training for employees
- **Cyber resilience:** risk management and business continuity
- **Cyber defense:** vulnerability management, identities and access, technical compliance
- **Incident response**
- **Safety by design**
- **Reviews:** monitoring indicators, audits, certifications, pen test
- **Continuous improvement**

CUSTOMER DATA PRIVACY

The personal data we use in Axtel come directly from the owner and/or through physical, electronic or face-to-face means, as well as from authorized public sources, and we treat them according to the type of owner. We do not transfer sensitive personal, patrimonial or financial data for secondary purposes, unless the owner expresses its consent.

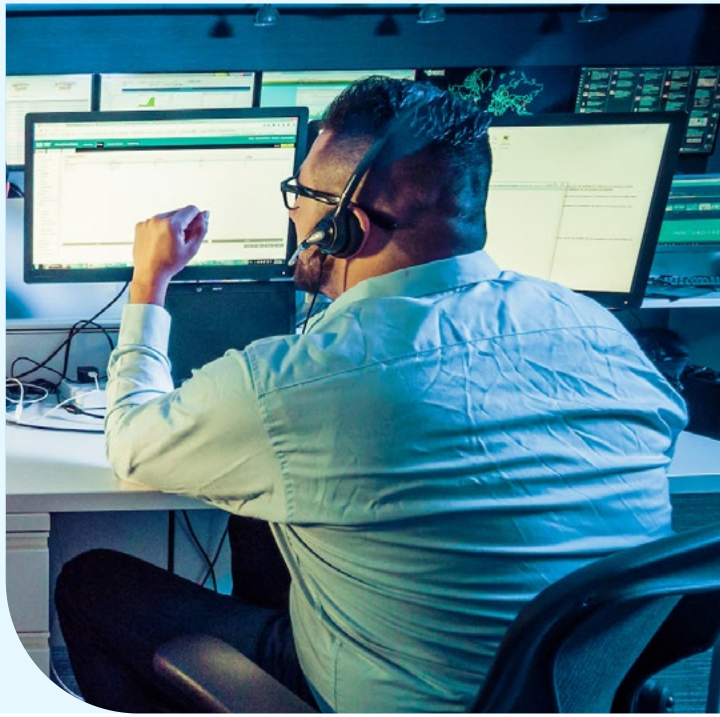
We are a company committed to protecting the data privacy of our customers. To ensure the privacy of this data, we adopt appropriate physical, technical and organizational security measures. Some of these measures include:

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

In addition, aware that the privacy of our customers' data is an issue that is becoming increasingly relevant, we maintain a commitment to manage them in a timely and efficient manner, which is communicated in our **Privacy Notice**[1].

[1] See our Privacy Notice at: Privacy Notice - https://www.axtelcorp.mx/aviso-de-privacidad/

DURING 2022 WE DID NOT RECEIVED COMPLAINTS ABOUT VIOLATIONS OF CUSTOMER PRIVACY, NOR ABOUT DATA BREACHES OR DATA RELATED TO PERSONALLY IDENTIFIABLE INFORMATION.



BUSINESS CONTINUITY

Due to the nature of our business, we are constantly exposed to various risks that can disrupt the service we provide to our clients, such as weather events, natural disasters, cyber-attacks, crime and technical failures, among others.

To ensure the reliability of our network, we have a **Business Continuity Management System** that considers the necessary procedures to recover the operation at critical moments through the use of strategies, plans and simulations that minimize the risk of impact for our company, operation and customers.

We also have the necessary infrastructure in place to support cloud-based solutions.

Furthermore, we are ISO 22301 certified for business continuity management and ISO 31000 certified for risk management, in addition to operating in accordance with other international standards such as ITIL, ISO 9001 and ISO 27001.

Recognizing that systems are not the only thing that can help us ensure business continuity, we offer different certifications to our employees, which allows us to have a deeper understanding of the network's technologies and be agile in solving challenges.

Despite our efforts to avoid service interruptions, this year we recorded two performance issues and five outages in software and IT services provided to the customer, with an average duration of 3.3 hours, bringing the total related downtime to 0.69 days. This represented a slight increase in the number of applicants compared to 2021, but a decrease in total downtime of 0.29 days.

Through a Big Data and machine learning platform that captures all the data generated by the different network platforms, rules are created to correlate variables that warn us of changes in trends that may lead to a possible failure. With certain rules, the generation of proactive incidents that are analyzed and attended by the groups of the Network Operations Center is automated, trying to prevent impacts to the services.

As a result of these efforts, proactive incidents increased by 84% compared to 2021, while incidents affecting service decreased by 3% compared to the previous year.

THIS YEAR WE PROVIDED **32 CERTIFICATIONS** TO 30 EMPLOYEES.

INCIDENTS RELATED TO CLIMATE CHANGE

We know that our network can be affected by incidents related to climate change such as hurricanes, frost, floods and extreme weather, as well as other natural disasters and events caused by issues beyond Axtel's control such as power outages. In this regard, we carried out 216,464 preventive maintenance routines during 2022 to maintain the availability of the network and guarantee the proper functioning of our operation.

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

In 2022, 23 climatic events occurred, of which seven made landfall and demanded action on our part. However, thanks to this process, we were able to maintain an optimal margin of affectation that which was not reflected in the service provided to our clients.

CRITICAL INCIDENT LIFECYCLE

01 ALERT PHASE	02 TRANSITION PHASE	03 RECOVERY PHASE	04 STANDARDIZATION PHASE
Contingency declaration, notification and identification of elements at risk.	Gathering of teams, transportation, and implementation of contingency plan.	Restoration procedures, field support management and customer coordination.	Impact analysis, normalization of contingencies and lessons learned
NETWORK OPERATION CENTER	**FIELD OPERATION**	**NETWORK OPERATION CENTER + OPFIELD**	**NETWORK OPERATION MANAGEMENT**
Attention and follow-up protocol for contingencies (earthquakes, hurricanes, power failures, extreme weather)	Contracts with specialized suppliers to address outages	Continuous communication scheme	
	Minimum fuel level (70%) that guarantees 24-hour autonomy	24x7 monitoring @ Site telemetry (strength, temperature, humidity)	
	Fuel suppliers		
	Direct contacts with CFE for contingency follow-up		

Because of its location between the Pacific and Atlantic oceans, Mexico is extremely vulnerable to hurricanes. In 2022, the hurricane forecast in Mexico was higher than the historical average.

PACIFIC OCEAN

HISTORICAL AVERAGE – **15**
FORECAST 2022 – **19**
= **+26** %

ATLANTIC OCEAN / GULF OF MEXICO

HISTORICAL AVERAGE – **14**
FORECAST 2022 – **21**
= **+50** %

Of the events predicted for both oceans, 17 were recorded in the Pacific Ocean, 14 of which we monitored and five of which made landfall; and 16 in the Atlantic Ocean, two of which made landfall.

EVENT	CATEGORY	MONTH	ZONE	MANAGEMENT DAYS	DAMAGE
Agatha	1, 2	May	Pacific	4	No
Kay	1	September	Pacific	5	No
Lester	Tropical Storm	September	Pacific	2	No
Orele	1, 2, 3, 4	September	Pacific	5	No
Karl	Tropical Storm	October	Atlantic	6	No
Rosilyn	1, 2	October	Pacific	5	No
Lisa	1	November	Atlantic	4	No

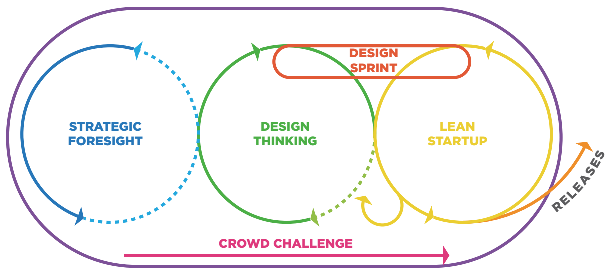
At Axtel, we have created a culture of prevention for the hurricane season, which begins in the Pacific and Atlantic Oceans in May and June, respectively. Since March, we start conducting verification meetings, closing maintenance tasks, validating spare parts, materials, and consumables, testing of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

INNOVATION

Innovation is the engine that propels us not only to create differentiated solutions for our customers, but also to evolve our internal processes to become more efficient.

For more than a decade, the **Axtel Innovation Model**, has enabled us to generate value for our clients and employees through the use of technology.

AXTEL INNOVATION MODEL

APPROACHES	INNOVATION PROCESS	RESULTS
INTRA PRENEURSHIP OPEN INNOVATION TECHNOLOGICAL INNOVATION		CONTINUOUS IMPROVEMENT DIGITAL INNOVATION DISRUPTIVE INNOVATION TECHNOLOGY PARTNERS INNOVATIVE CUSTOMERS

DIGITAL SPACE	INNSIGHT
PHYSICAL SPACE	HUB DE INNOVACIÓN
CORPORATE ACCELERATOR	NAVE
TECHNOLOGY LABORATORY	AXTEL LABS

ORGANIZATIONAL STRUCTURE AND INCENTIVES

TRANSFORMATION AND INNOVATION STRATEGY

CEO LEADERSHIP

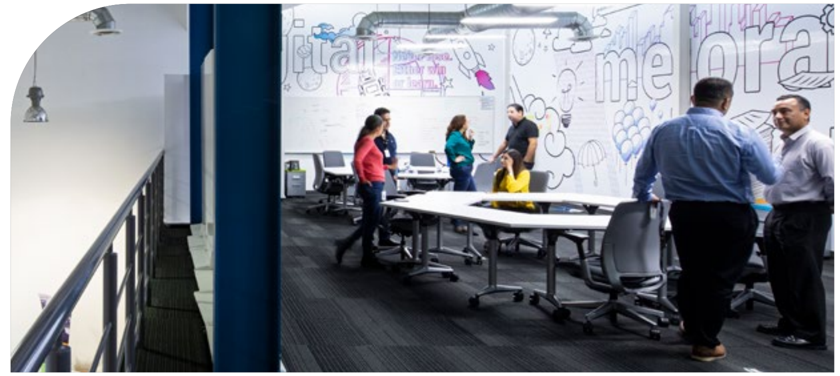
Four initiatives emerge from this model that make it easier for us to put innovation into practice in the form of solutions and services for our customers, or within the organization.

Innsight: digital platform for innovation and continuous improvement, where our employees propose ideas to be evaluated to receive resources that allow their implementation.

2022 results: Innsight had 40% of the employees participate in initiatives that resulted in a Ps. 323.5 million economic benefit in EBITDA and CAPEX.

Innovation Hub: physical space where creativity and ideas are structured to develop solutions. Itis located within the Innovation and Technology Campus (CIT).

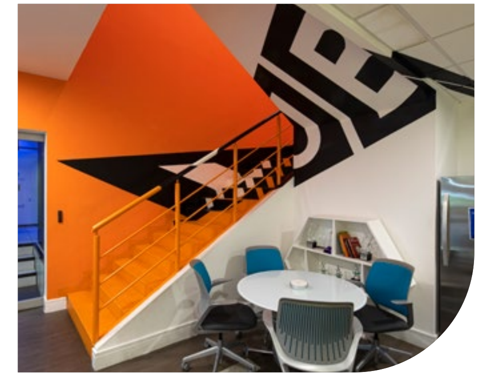
2022 results: the Hub was busy for 70% of the working time available with more than 300 reservations for projects, training, events and customer visits, among others.



NAVE: program that encourages innovation and the development of disruptive digital innovation projects. Through this program we promote scaleups and B2B technological startups, in addition to generating commercial alliances with different proposals that, through digitalization, help us increase the productivity of our customers.

2022 results: companies that completed the program were followed up on to strengthen and mature their value proposition in the Mexican market.

[2] Scaleups: are companies with more than two years of operation, legally constituted, that could have received investment previously and whose business model is defined and scalable.



Axtel Labs: research and development laboratory where emerging technologies are explored and experimented with to create digital products and services to launch them on the market

2022 results: strategic projects aligned with the research and development of products that seek to generate new lines of business for the organization were carried out during this year.

CERTIFICATIONS

Being part of a constantly evolving industry, being endorsed with expert certifications and being part of the most complete network of global technology partners in the market, gives us the necessary strength to offer our customers a complete and comprehensive portfolio of technological solutions.

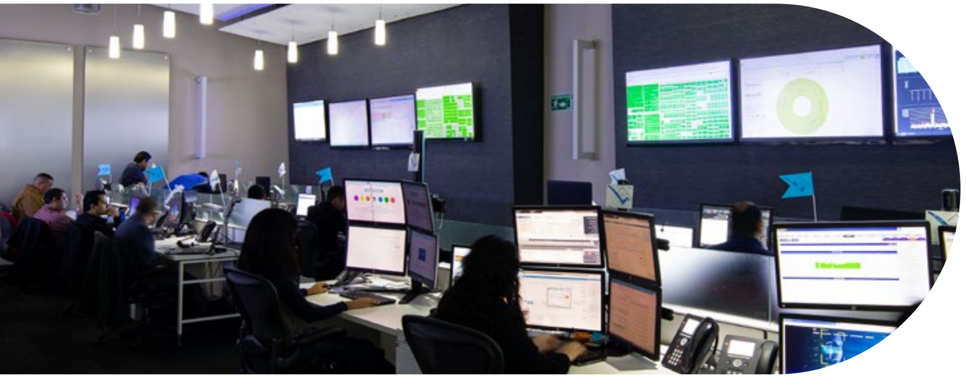
We have technical certifications from Amazon, Assure, ISC, ISO, Oracle, Cisco, Palo Alto, Checkpoint, Fortinet and Avaya, among others.

MANAGEMENT SYSTEMS

- ISO 20000-1:2011
- ISO 9001:2015
- ISO 22301:2012
- ISO 27001:2013
- ISO 31000:2018
- ISO 37001:2016

BEST PRACTICES

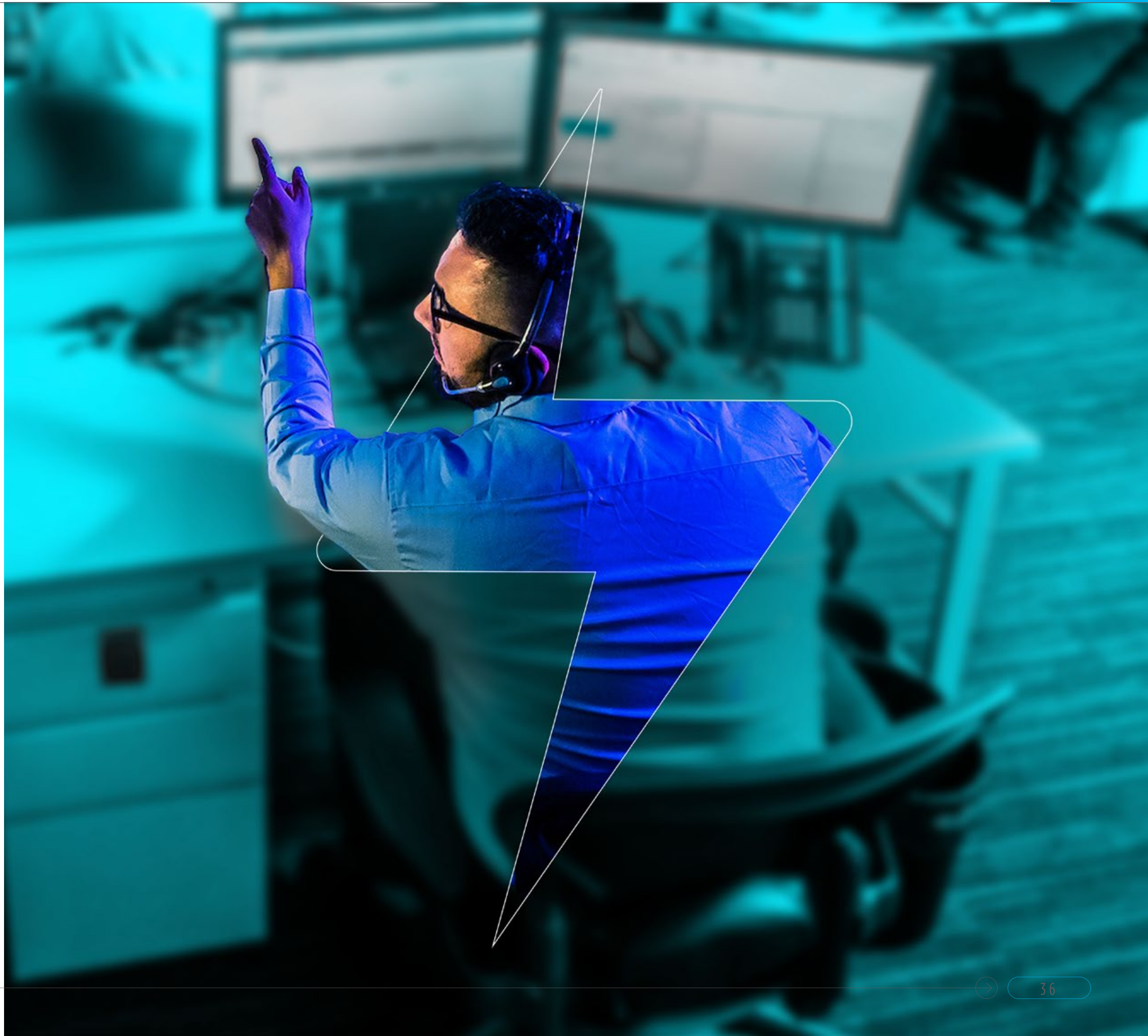
- CEEDA, Silver and Bronze
- ICREA Level 3, 4 and 5
- FIRST (Forum of Incident Response and Security Teams)
- PCI DSS (Payment Card Industry, Data Security Standard)
- SSAE 18 (Statement on Standards for Attestation Engagements No.18)



PARTNER CERTIFICATIONS

- Aspect, Channel Sales Agreement
- Audio Codes Gold Partner
- Avaya Diamond Partner
- AWS, Advance Consulting Partner
- AWS, EC2 for Windows
- AWS, Public Sector
- AWS, SAP Services Competency
- AWS, Select Direct Connect Service
- AWS, Solution Provider
- Checkpoint, Four Stars Partner
- CISCO, Gold Integrator
- CISCO, Gold Provider
  - » CISCO, Advanced Collaboration Architecture Specialization
  - » CISCO, Advanced Data Center Architecture Specialization
  - » CISCO, Advanced Enterprise Networks Architecture Specialization
  - » CISCO, Advanced Security Architecture Specialization
  - » CISCO, Hyperflex Specialization
- Dell Technologies, Platinum Partner
- Equinix, Platinum Partner
- Fortinet, MSSP Expert Partner
- HPE, Solution Provider Gold Partner
- Huawei Enterprise Partner VAP
- Huawei, Four Stars Partner
- IBM Partner Plus Tier GOLD
- Microsoft, Gold Cloud Platform
- Microsoft, Gold Cloud Productivity
- Microsoft, Gold Partner
- Microsoft, Hosting Partner
- Nutanix, Champion Reseller
- Oracle, OPN Member, License & Hardware / Cloud Solution Provider
- Palo Alto Networks, MSSP Platinum Innovator Partner
- Poly, Platinum Partner
- SAP MCaaS Partner
- Symantec, Premier Partner
- Veeam Pro Partner Silver Reseller
- Veritas Registered Partner
- VMWare Cloud con AWS Solution Competency
- VMWare Cloud Verified
- Zoom Performance Partner

02 OUR ESG COMMITMENT



WE IMPROVED OUR RATING ON THE S&P CSA QUESTIONNAIRE BY 6 POINTS AND MAINTAINED THE LEVEL IN CDP COMPARED TO 2021.

OUR ESG COMMITMENT

Throughout our history, we have consistently addressed environmental, social and governance (ESG) issues, improving our performance in line with the organizational evolution we have experienced in recent years.

In order to adopt best practices, we have adhered to the most relevant sustainability methodologies, standards and initiatives for our industry to address global challenges and the 2030 Agenda.

At Axtel we recognize the importance of the environmental, social and ethical impact of our long-term business decisions, which is why we are committed to responsible management of our business, which is reflected in our philosophy, values and the way we operate.

SUSTAINABILITY

The Human Capital Executive Management is responsible for leading the Sustainability department at Axtel, following the five areas of our **Sustainability Model,** which is aligned with our Sustainability Strategy and receives contributions from each of the areas of the company with the activities, initiatives and most outstanding results in these issues.

With our Sustainability Strategy we seek to contribute to a more sustainable future through comprehensive corporate governance processes, fair labor practices and the responsible use of the environmental resources we need to operate. In addition, we effectively manage the risks and opportunities we face as an organization.

AXTEL SUSTAINABILITY MODEL

- ENVIRONMENTAL CONCERN
- EMPLOYEE WELLBEING
- SOCIAL OUTREACH
- OPERATIONAL EFFICIENCY
- INNOVATION AND DIGITAL CULTURE

This year we created the **Sustainability Steering and Operational Committee** with the aim of establishing the strategic vision of the business' sustainable development and defining the actions that will allow us to maintain and accelerate the implementation of the Sustainability Model.

To accelerate our transition to a more sustainable operation, we developed **Axtel's Sustainability Plan**, which is presented once a year to the Board of Directors and the Sustainability Committee, to later present it to the Executive Committee, so that senior management is aware of the strategies implemented for this issue. Additionally, progress in compliance with the plan is presented quarterly.

AMONG ITS MAIN FUNCTIONS ARE **TO ESTABLISH A STRATEGIC VISION OF SUSTAINABLE DEVELOPMENT FOR THE ORGANIZATION AND TO DEFINE THE ACTIONS THAT ALLOW MAINTAINING AND ACCELERATING THE IMPLEMENTATION OF THE SUSTAINABLE MODEL** OF THE ORGANIZATION UNDER THE ESG INDEX.

THE STEERING COMMITTEE IS MADE UP OF:

Armando de la Peña,
CHIEF EXECUTIVE OFFICER

Adrián de los Santos,
EXECUTIVE FINANCE DIRECTOR

Andrés Cordovez,
EXECUTIVE DIRECTOR OF INFRASTRUCTURE AND OPERATIONS

Bernardo García,
EXECUTIVE DIRECTOR OF PLANNING AND DEVELOPMENT

Ricardo Hinojosa,
DIRECTOR OF BUSINESS MARKET

Raúl Ortega,
LEGAL AND REGULATORY EXECUTIVE DIRECTOR

Sergio Bravo,
DIRECTOR OF GOVERNMENT SECTOR

Carlos Buchanan,
DIRECTOR OF HUMAN CAPITAL

THE OPERATING COMMITTEE IS MADE UP OF:

Adrián de los Santos,
EXECUTIVE DIRECTOR OF FINANCE

Sylvia Villarreal,
DIRECTOR OF SERVICES AND REAL ESTATE

Marcelo Díaz,
DIRECTOR OF TREASURY AND SUPPLY CHAIN

Nancy Llovera,
INVESTOR RELATIONS

Juan Carlos Garza T,
DIRECTOR OF STRATEGIC PLANNING

Roldán Fernández,
CHIEF OPERATING OFFICER

Luis Adrián Ochoa,
IT OPERATIONS DIRECTOR

Isela Sánchez,
TRAINING AND CULTURE

Silvia Mónica López,
SOUTH-CENTRAL CUSTOMER SERVICE

Erika Lilian Galván,
GOVERNMENT LEGAL OFFICER

Carlos Buchanan,
DIRECTOR OF HUMAN CAPITAL

MISSION

VISION

VALUES

MISSION

Enable organizations to be more productive through digitalization.

VISION

Be the best option in the digital experience through innovation to create value.

VALUES

Collaboration... *Our strength*
Respect... *Our commitment*
Customer focus... *Our differentiator*
Innovation... *Our passion*
Integrity... *Our pillar*

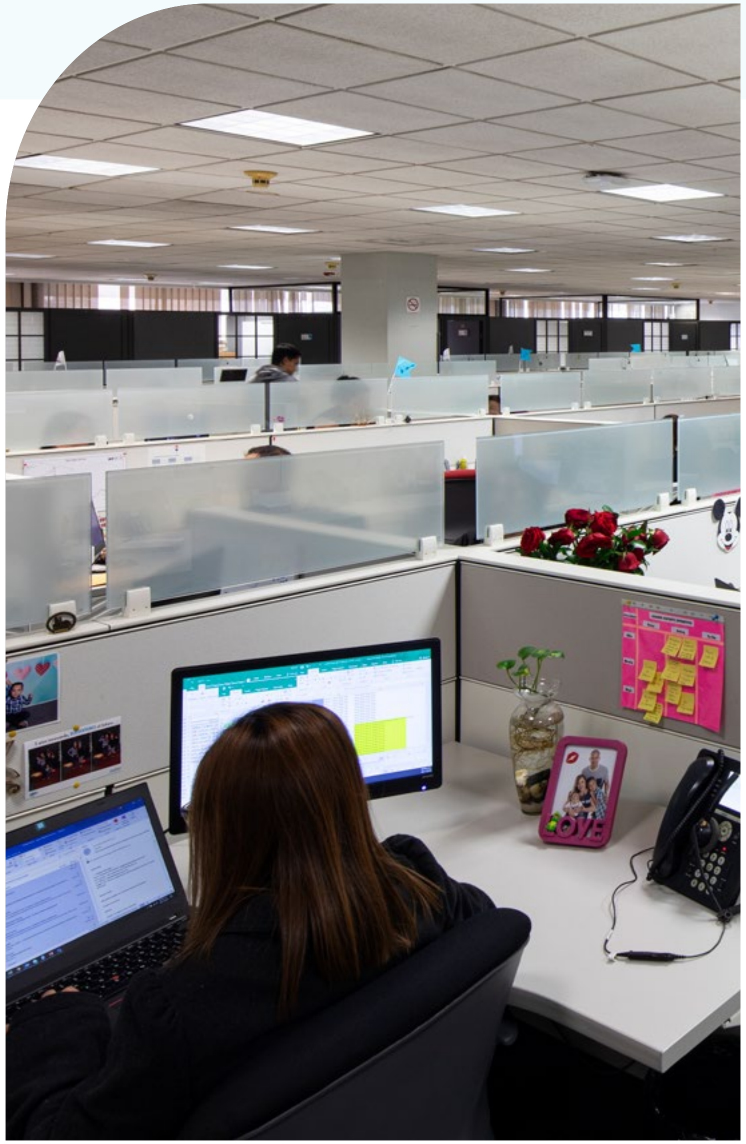
STAKEHOLDERS

We maintain frequent and bi-lateral communication with our stakeholders, and we have channels that allow us to know their main concerns and needs in a timely manner. We also work together to address risks and opportunities related to issues relevant to them and generate value in their relationship with Axtel.

STAKEHOLDERS	AXTEL'S MAIN ACTIONS
Employees	To support the professional development of our staff, we offer customized training programs and implement flexible scheduling and remote work programs. In addition, we have established guidelines to promote work-life balance under NOM-35. We also continue to implement the Integral Wellness program, which includes nutrition and health activities. For the second consecutive year we obtained the **Factor Wellbeing** badge that recognizes organizations that invest in the well-being of their employees. And we also obtained the **Distintivo TRe** that recognizes companies with healthy work processes, employees and organizational results.
Clients	We are preparing to face important technological innovations through our network and working on developing a variety of services to help our clients adapt to new contexts. In addition, we continue to provide solutions to support hybrid work models.
Suppliers	We use digitization and RPA (Robot Process Automation) tools to drive agile and timely interaction, and ensure we have the necessary inputs to always meet operational requirements.
Government and regulatory entities	We have registered in approximately 80% of the country's states in the list of suppliers' registry and, therefore, we are authorized to participate in state tenders. In addition, we are registered in the framework of consolidated purchases in more than 10 framework contracts of the Federal Government, which allows us to participate in federal tenders. We have also registered with the Ministry of Public Function to obtain the Business Integrity badge.
Communities	This year we published the Corporate Philanthropy Directive to guide our social responsibility actions and initiatives. We support labor inclusion through the donation of our services for the creation, administration and maintenance of the job bank of Movimiento Congruencia. In addition, we continue to promote COVID and influenza vaccination among our employees and their families. And, as every year, we participate in donation campaigns for the benefit of different causes.
Shareholders and investors	We improved our rating in the S&P Corporate Sustainability Assessment, reaching the 78th percentile in the telecommunications industry globally and participated in the CDP in the Climate Change and Suppliers modules.

OUR COMMITMENT TO STAKEHOLDERS ALLOWS US **TO ESTABLISH SOLID AND LASTING RELATIONSHIPS** WITH EACH OF THEM.

COMMUNICATION CHANNEL	LEVEL OF COMMUNICATION	FREQUENCY
Intranet	Organizational	Daily
Email	By brand and segment	Daily
Surveys	Organizational, by brand and segment	Monthly
Social media	Organizational	Daily
Website	Organizational	Daily
Advertising	By brand and segment	Monthly
Press releases	Organizational	Quarterly
Supplier portal	Organizacional	Daily
Financial reports	Investor Relations Area	Quarterly
Integrated Annual Report	Organizational	Annual

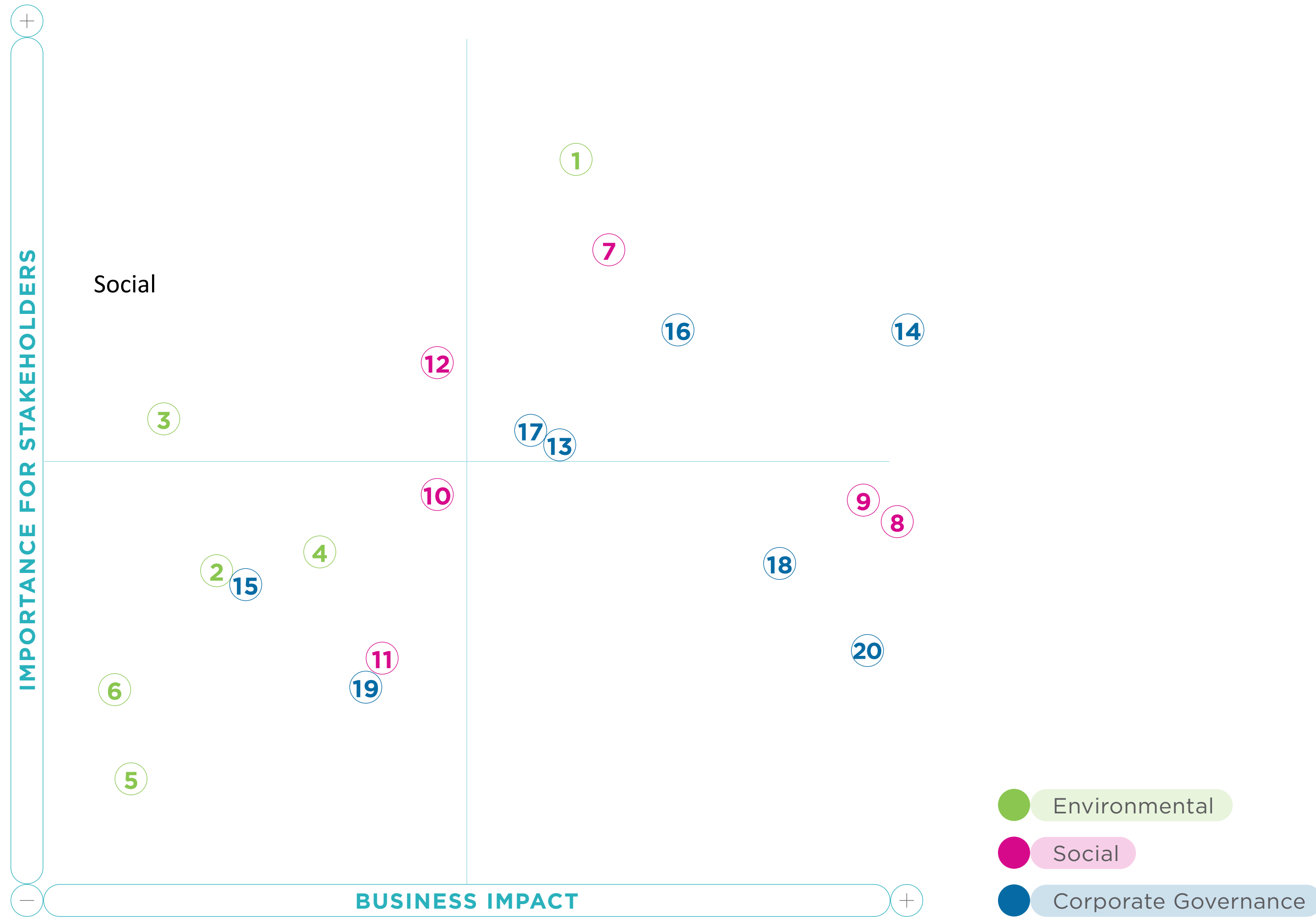


MATERIALITY

We updated our materiality exercise this year, following the methodology recommended by the Global Reporting Initiative (GRI), in which we identified the topics in which we generate a greater impact – positive or negative, current or potential, on the economy, the environment, people and human rights – or those issues that impact the business or our stakeholders.

In this analysis we included topics relevant to our industry according to the Sustainability Accounting Standards Board (SASB), the requirements of the S&P Corporate Sustainability Assessment (CSA), CDP, MSCI and the Sustainable Development Goals (SDGs), among other ESG initiatives.

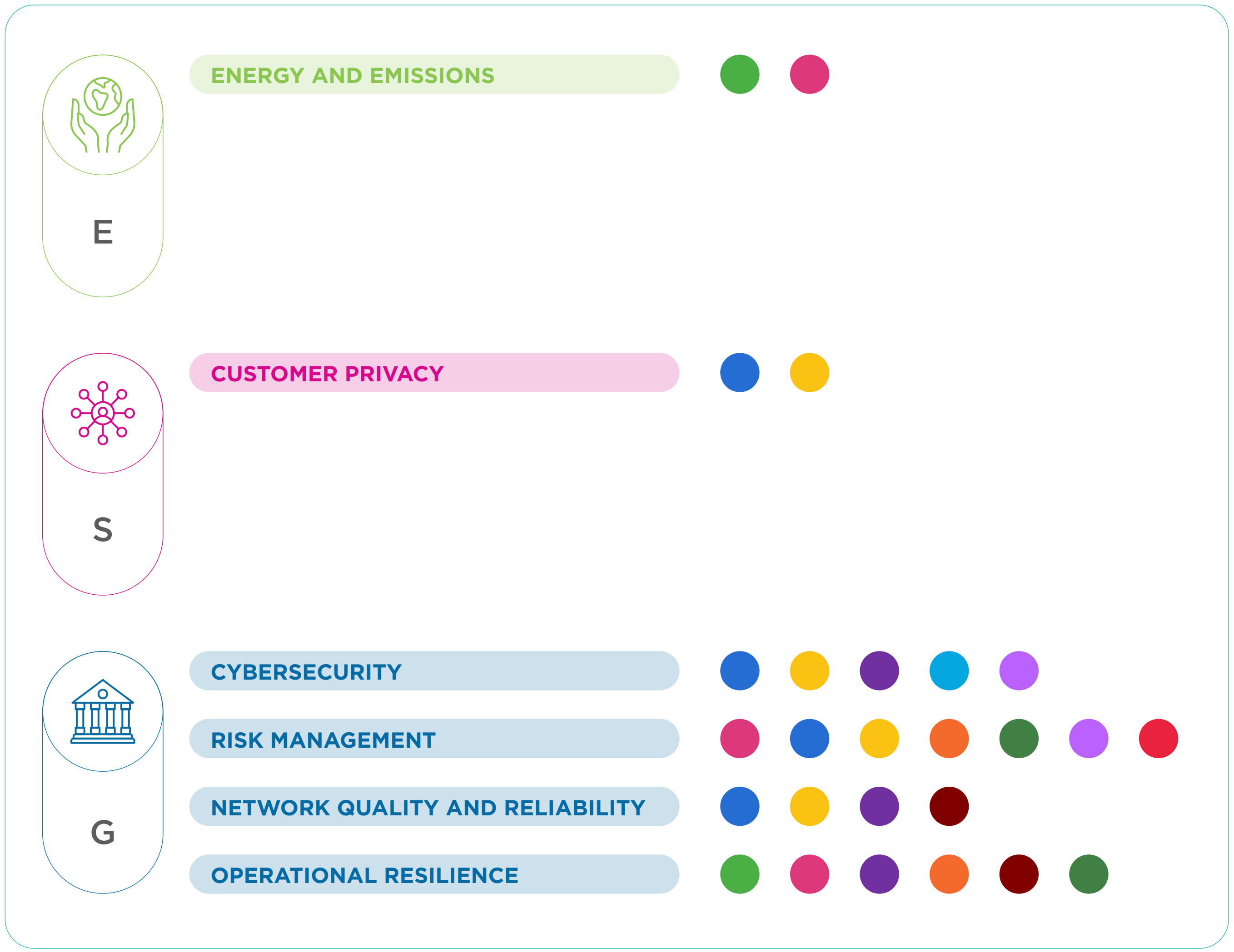
As a result, **eight topics** of high relevance were identified, whose objectives, management and performance we present throughout this report.



TEMA MATERIAL DE ALTA RELEVANCIA	TIPO DE IMPACTO POTENCIAL	ACCIONES PARA MITIGAR LOS IMPACTOS
14 Cybersecurity	Actual and positive with proper cybersecurity management, potential and negative for our customers in case of breaches.	• We have an Information Security Management System • We make available to any stakeholder our public position of information security • We follow the best practices defined in international standards
1 Energy and emissions	Actual and positive to the environment and our operation implementing energy efficiency initiatives and reduction of GHG emissions.	• We incorporate more renewable energy into our operations with the highest energy demand • We improve our energy efficiency • We shut down disused telephone exchanges
7 Customer privacy	Actual and positive with proper management of customer privacy, potential and negative for our customers in case of breaches.	• We make our privacy notice available to any stakeholder
16 Risk management	Actual, potential and negative to the environment and society in case of not being able to address the risks in a timely manner.	• We have a committee of climatological events
17 Network quality and reliability	Actual and positive with proper network management, potential and negative for our customers in case of failures.	• We have a committee of climatological events • We perform preventive maintenance routines throughout the network for events caused by climate change • We have redundancy mechanisms in the critical elements of the network • We maintain a capacity management that allows a level of service appropriate to the established business rules • We implement metrics of all network variables, as well as response mechanisms and processes to all incidents according to their severity • We have operation support systems that allow us to supervise and monitor the network in real time
13 Operational resilience	Actual and positive with the proper management of our operations, potential and negative for our customers and our operation in case of failures and interruptions in service.	• We have systems that allow us to ensure the reliability of our network • We are certified under ISO 22301 standards for the management of business continuity and ISO 31000 on risk management • We operate in accordance with international standards such as ITIL, ISO 9001 and ISO 27001 • We carry out preventive maintenance • We have an area whose focus is the prevention and mitigation of cyber attacks • We perform tests and disaster simulations to the most important elements of the network
12 Digital inclusion	Actual, potential and positive for our operation and society considering the solutions we offer to the market.	• We offer affordable high-tech solutions to our customers • We support the digitalization of processes to contribute to the efficiency of companies • We grow our coverage annually to offer services to more clients and companies
3 Circular economy and e-waste	Potential and negative to the environment in case of poor management of our waste and the impossibility of giving new uses to waste.	• We have an obsolete microwave reuse process to avoid discarding them

With the update of our materiality analysis, we integrated the issues that may have a financial impact on the organization (double materiality), evaluating the risks regarding the material issues according to the impact they could have towards Axtel and their probability of occurrence.

ASSESSMENT OF RISKS ASSOCIATED WITH MATERIAL ISSUES



We identified that the main risks associated with our material topics due to their possible frequency and severity are:

- **Threats to cybersecurity**
- **Technology obsolescence**
- **Employee turnover**

The initiatives we are undertaking to mitigate the effects of these risks are detailed throughout the report.

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

GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

FOR 11 YEARS **AXTEL HAS BEEN A SIGNATORY OF THE UNITED NATIONS GLOBAL COMPACT.**

The Axtel Integrated Annual Report 2022 complements our Communication for Progress (CoP) questionnaire, here we report the initiatives we carried out during 2022 to contribute to the fulfillment of the Ten Principles of the United Nations Global Compact.

Human Rights	01	Businesses should support and respect the protection of internationally proclaimed human rights.
	02	Business should make sure that they are not complicit in human rights abuses.
Labour	03	Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.
	04	Businesses should uphold the elimination of all forms of forced and compulsory labour.
	05	Businesses should uphold the effective abolition of child labour.
	06	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	07	Businesses should support a precautionary approach to environmental challenges.
	08	Business should undertake initiatives to promote greater environmental responsibility
	09	Business should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	10	Businesses should work against corruption in all its forms, including extortion and bribery.

SUSTAINABLE DEVELOPMENT GOALS

In this report we also discuss the Sustainable Development Goals (SDGs) to which we contribute. In this way we seek to be transparent about the ways in which we are contributing to the achievement of the 2030 Agenda.

SDG	SDG TARGET ON WHICH WE INFLUENCE	INITIATIVES TO ADDRESS THE SDG
7 AFFORDABLE AND CLEAN ENERGY	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.	51% of the energy we use comes from clean or renewable sources.
8 DECENT WORK AND ECONOMIC GROWTH	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	We directly employed 4,083 men and women. We delivered more than Ps. 5 million in safety and hygiene supplies for our employees. We have certifications in terms of security and procedures that protect the integrity of the environment of our employees.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	We are the most relevant neutral infrastructure operator in Mexico, providing high availability connectivity to all data centers in our country.

ENVIRONMENTAL COMMITMENT

We optimized our processes to reduce our environmental impact. To achieve this, we follow Axtel's Environmental Policy, which guides the use and management of resources within the company.

There are specific policies derived from this policy: **Energy Saving and Water Consumption**, which we implement to guarantee the responsible and sustainable use of resources.

ENERGY USE

Energy is a critical resource for us to operate and meet the technological needs of our customers. We use energy mainly to power electronic equipment, air condition our sites and illuminate spaces.

Our **Energy Saving Policy** outlines the steps we take to use energy efficiently in accordance with industry best practices, and thereby reduce our greenhouse gas (GHG) emissions.

TELEPHONE EXCHANGE SHUTDOWN

To reduce our GHG emissions, we continued with the process of shutting down telephone exchanges that we began in 2020.

The goal is to uninstall obsolete equipment to reduce our electricity consumption, thereby reducing our GHG emissions, and at the same time extracting raw materials and wiring in such a way that they can be reused or recycled.

This initiative, in addition to generating an environmental benefit for the tons of carbon dioxide that will no longer be emitted, represents significant savings for the business. **In 2021 we saved more than Ps. 3 million, in 2022 we saved an additional Ps. 0.19 million and we had an income of Ps. 4.7 million from the sale of electronics and copper cable.**

2020:

6 POWER PLANTS SHUT DOWN = ECONOMIC SAVINGS OF **PS. 2.3 MILLION** AND **414 tCO_2e** AVOIDED

2021:

13 POWER PLANTS SHUT DOWN = ECONOMIC SAVINGS OF **PS. 3 MILLION** AND **553 tCO_2e** AVOIDED

2022:

1 POWER PLANT SHUT DOWN = ECONOMIC SAVINGS **PS. 0.19 MILLION** AND **35 tCO_2e** AVOIDED

To assess the energy efficiency of our data centers, we use Power Usage Effectiveness (PUE), an indicator that measures the energy performance of the data center by calculating the proportion of the energy used by the data center installation, compared to the energy supplied to the computer equipment. In this way, we can learn about the energy performance of our data centers and take steps to improve it.

IN OUR DATA CENTERS WE RECORDED AN **AVERAGE PUE OF 1.9.**

The Apodaca data center won the Certified Energy Efficient Datacenter Award (CEEDA), part of a global program that provides independent advice and evaluation to recognize and certify the implementation of best practices in energy efficiency in data centers.

PUE PER DATA CENTER

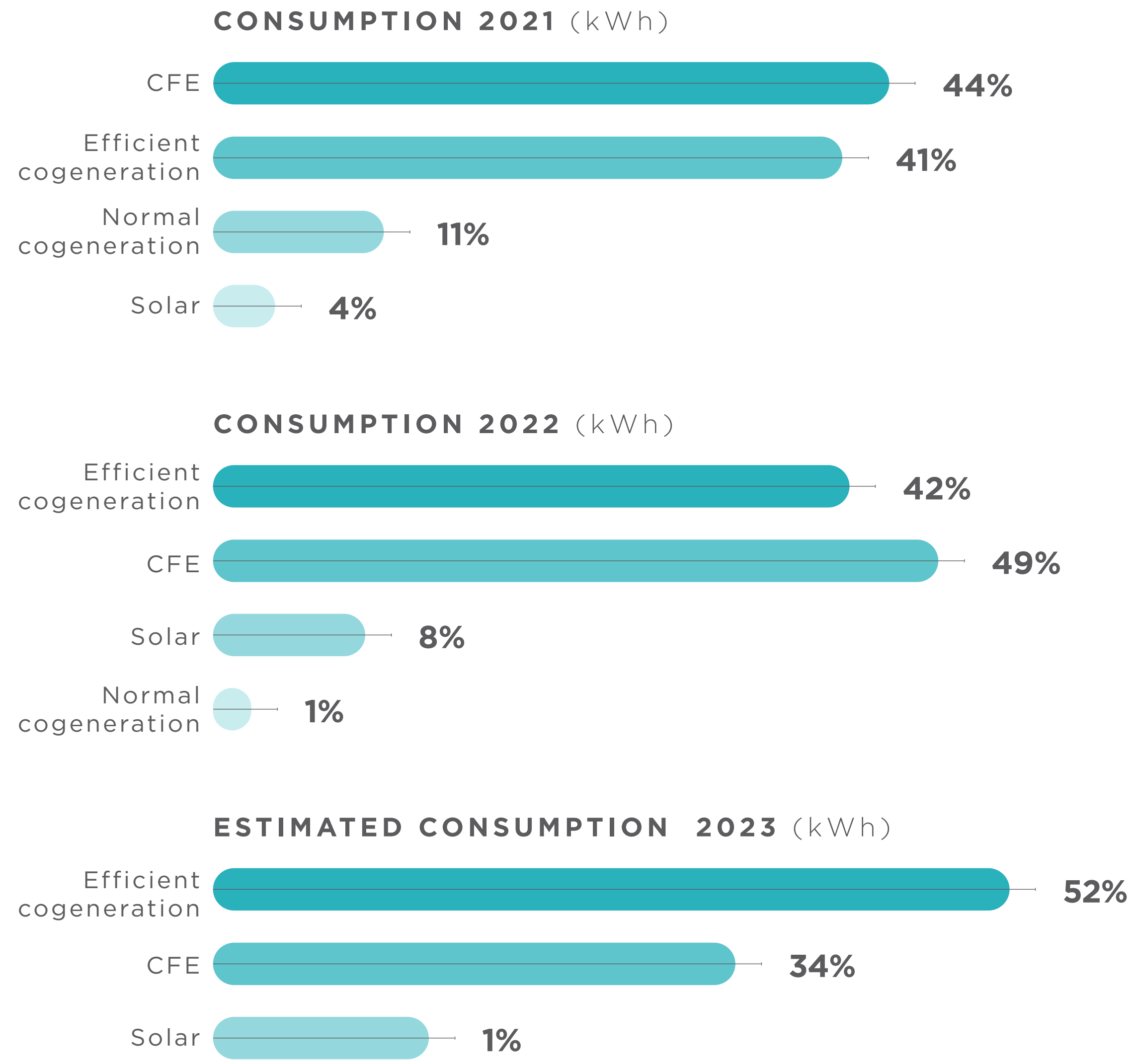
DATA CENTER	PUE
MTY H1	1.65
MTY H2	1.9
MTY H3	1.9
Guadalajara	2

MIGRATION TO CLEAN ENERGY (kWh)

Our goal for 2023 is for 72% of our energy consumption to come from clean sources. In 2022 we consumed 8.81 GWh of photovoltaic energy and by 2023 it is estimated to reach 15 GWh; the remainder of the commitment cannot be reached by change in the permits of the Power Purchase Agreement.

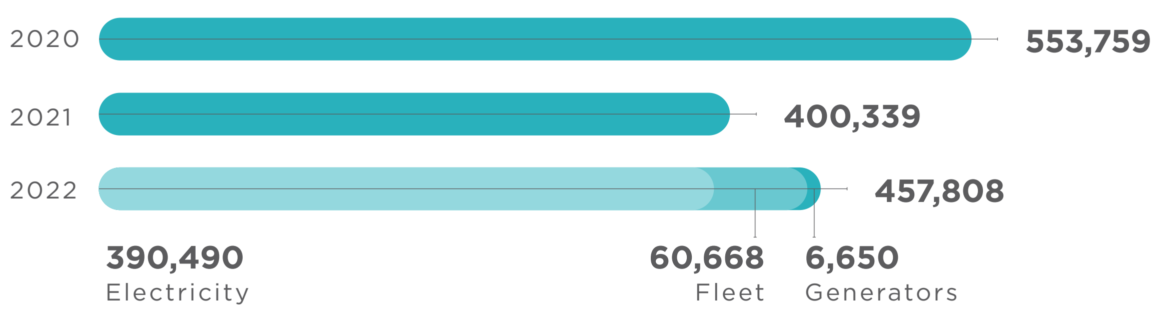
51% OF AXTEL'S ENERGY CONSUMPTION CAME FROM **CLEAN OR RENEWABLE SOURCES DURING 2022.**

AXTEL'S ENERGY MIX



Note. Data for 2023 is estimated.

TOTAL ENERGY CONSUMPTION (GJ)



GENERATOR CONSUMPTION (STATIONARY SOURCES)

TYPE	LITERS	GJ
LP Gas	19,069	498
Diesel	171,826	6,041
Gasoline	3,319	110
Total	**194,214**	**6,649**

FLEET CONSUMPTION (MOBILE SOURCES)

TYPE	LITERS	GJ
INFRASTRUCTURE		
Gasoline	1,529,041	50,674
Diesel	101,784	3,579
SERVICES		
Gasoline	187,774	6,223
Diesel	5,481	193
Total	**1,824,080**	**60,669**

ELECTRICITY CONSUMPTION

TYPE	MWh	GJ
Conventional	53,041	190,948
Normal cogeneration	1,243	4,473
Efficient cogeneration	45,304	163,095
Renewable photovoltaic	8,882	31,974
Total	**108,470**	**390,490**

ENERGY INTENSITY

IN 2022, **43.68 GJ WERE CONSUMED FOR EVERY BILLION PESOS** IN REVENUE.

2020:

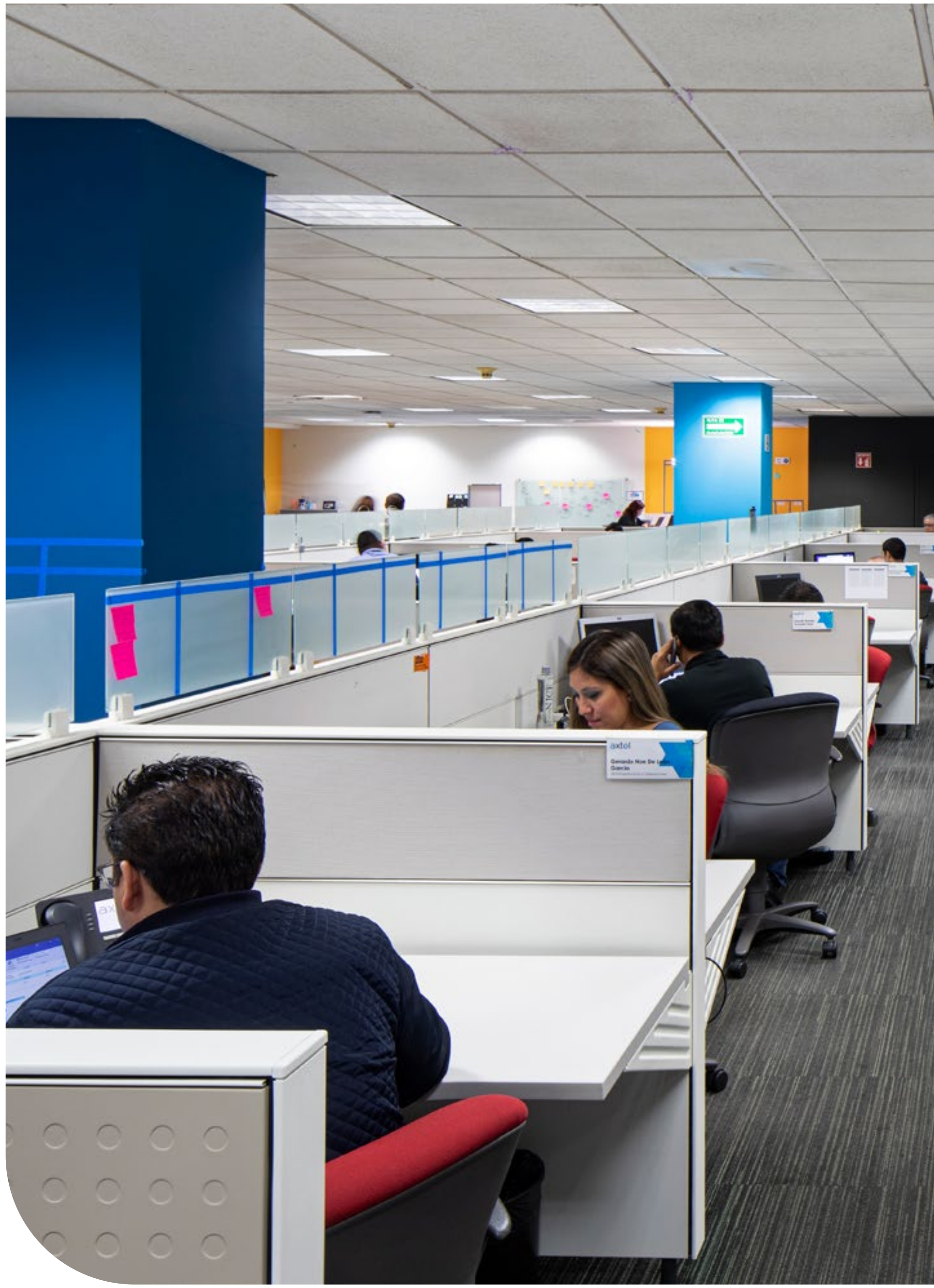
44.81 GJ/MMDP → CONSIDERING **PS. 12,356 MILLION** IN REVENUES AND **553,759** GJ.

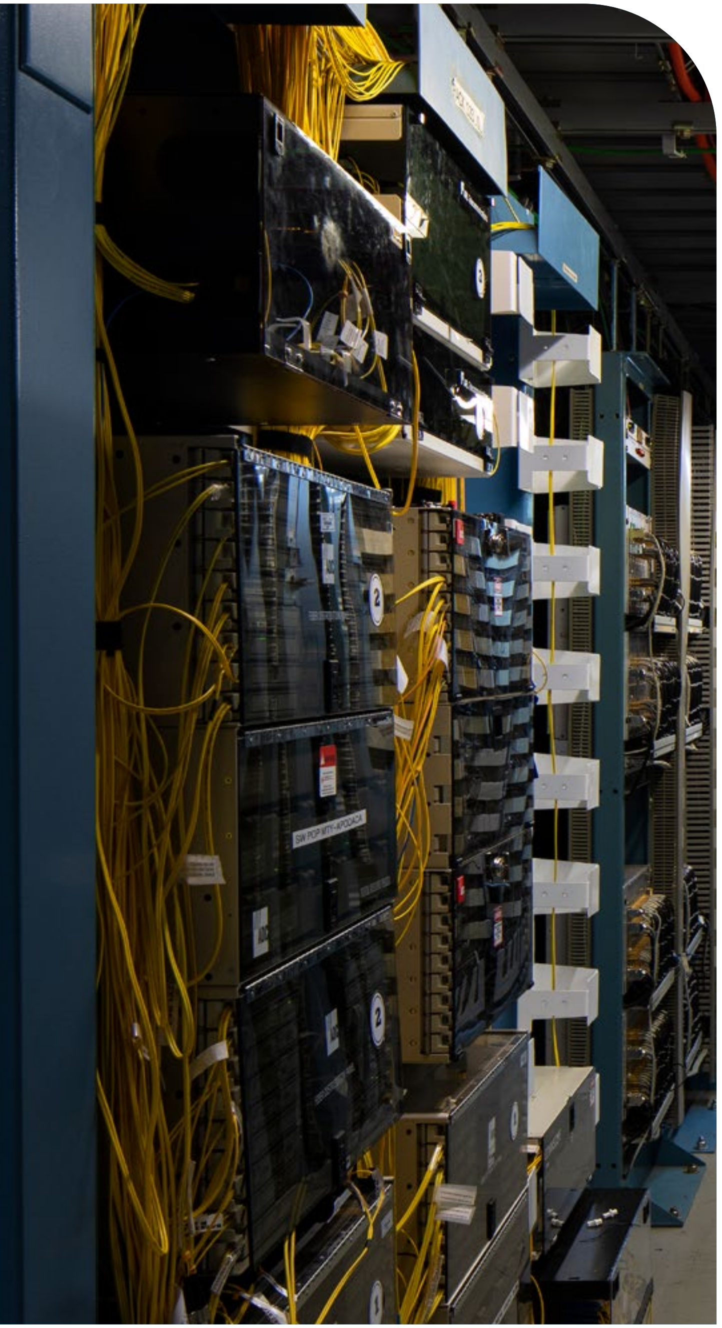
2021:

35.15 GJ/MMDP → CONSIDERING **PS. 11,389 MILLION** IN REVENUES AND **400,339** GJ.

2022:

43.68 GJ/MMDP → CONSIDERING **PS. 10,480 MILLION** IN REVENUES AND **457,808** GJ.





ELECTRONICS REUSE

Since 2020 we started the process of obsolete microwave reuse (MW) to avoid discarding them and optimize the budget of the projects. To achieve this, we rely on specialized suppliers who are responsible for the uninstallation, and with internal staff the links were restored in the laboratory to guarantee their reuse in the network.

This initiative, in addition to generating an environmental benefit by avoiding the generation of waste, represents significant savings for the business. **In 2021 and 2022 we saved more than Ps. 13 million and Ps. 8.96 million respectively.**

2020:

71 MW

REUSED THAT REPRESENTED AN ECONOMIC SAVING OF PS. **3.35 MILLION** AND **2.11** TONS OF RECYCLED EQUIPMENT.

2021:

295 MW

REUSED THAT REPRESENTED AN ECONOMIC SAVING OF **PS. 13.29 MILLION** PESOS AND **8.76** TONS OF RECYCLED EQUIPMENT.

2022:

196 MW

REUSED THAT REPRESENTED AN ECONOMIC SAVING OF **PS. 8.96 MILLION** PESOS AND **5.87** TONS OF RECYCLED EQUIPMENT.

2023:

210 MW

TO BE REUSED REPRESENTING AN ECONOMIC SAVING OF **PS. 10.66 MILLION** PESOS AND **9.39** TONS OF RECYCLED EQUIPMENT.

MW LINKS SHUT DOWN

Since 2020 we started the process of shutting down MW links without traffic and in disuse. To achieve this, we relied on internal staff who were responsible for the shutdown of the links.

This initiative, in addition to generating an environmental benefit for the tons of carbon dioxide that will no longer be emitted, represents a significant saving for the business, only in 2021 we saved Ps. 0.14 million and **in 2022 we saved Ps. 0.19 million.**

2020:

1,009 MW

SHUT DOWN THAT REPRESENTED AN ECONOMIC SAVING OF **PS. 0.91 MILLION** AND **109.25 tCO_2e** AVOIDED

2021:

310 MW

SHUT DOWN THAT REPRESENTED AN ECONOMIC SAVING OF **PS. 0.14 MILLION** AND **13.99 tCO_2e** AVOIDED

2022:

207 MW

SHUT DOWN THAT REPRESENTED AN ECONOMIC SAVING OF **PS. 0.19 MILLION** AND **8.25 tCO_2e** AVOIDED

2023:

227 MW

TO BE SHUT DOWN THAT REPRESENT AN ECONOMIC SAVING OF **PS. 0.10 MILLION** AND **12 tCO_2e** TO BE AVOIDED

GREENHOUSE GAS EMISSIONS

For the third consecutive year, we conducted our greenhouse gas (GHG) emissions inventory to identify and report the direct and indirect emissions resulting from our operations. This allows us to lay the foundations for improving our energy performance.

SCOPE 1 (direct emissions)

Scope 1 emissions represent 11% of total reported emissions. At Axtel, these emissions result from fuel consumption and power generation at our sites (stationary sources) and fleet (mobile sources).

SCOPE 1 EMISSIONS (stationary sources)

TYPE	tCO_2e
Gas LP	31.46
Diesel	449.14
Gasoline	7.65
Total	**488.25**

SCOPE 1 EMISSIONS (mobile sources)

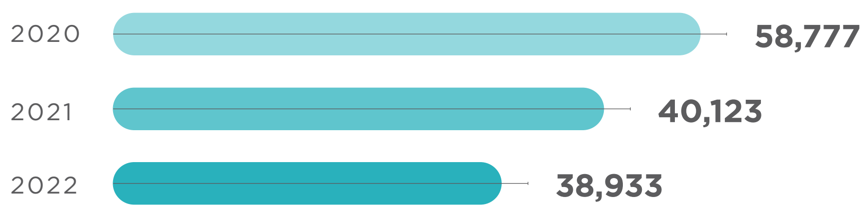
TYPE	tCO_2e
Infrastructure	
Gasoline	3,654.61
Diesel	269.27
Services	
Gasolina	448.80
Diesel	14.50
Total	**4,387.18**

SCOPE 1 EMISSIONS (tCO_2e)

SCOPE 2 (indirect emissions)

Scope 2 emissions represent 86% of total emissions from our operations and result from the purchase of electrical power we use at our sites and offices.

SCOPE 2 EMISSIONS (tCO_2e)



BY 2022, WE MANAGED **TO REDUCE OUR TOTAL GHG EMISSIONS BY 3%.**

SCOPE 3 (indirect emissions)

Scope 3 emissions represent 3% of total emissions and are derived from our value chain, that is, they are generated indirectly. The most significant sources of these emissions are business flights made by our employees and the gas bonuses we provide to executives.

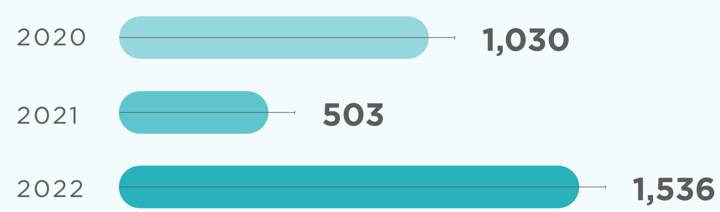
TRAVEL

This year the trips made by our employees resulted in an indirect emission of 640.94 tons of CO_2e, considering national and international flights that together accumulated 3,794,682 kilometers.

BONUSES

In 2022, emissions from gasoline bonuses granted to executives resulted in 895.22 tons of CO_2e.

SCOPE 3 EMISSIONS (tCO_2e)



EMISSION INTENSITY

2020:

5.21 tCO_2e/MMDP → CONSIDERING **PS. 12,356 MILLION** IN REVENUES AND **64,441 tCO_2e** EMITTED

2021:

3.99 tCO_2e/MMDP → CONSIDERING **PS. 11,389 MILLION** IN REVENUES AND **45,460 tCO_2e** EMITTED

2022:

4.32 tCO_2e/MMDP → CONSIDERING **PS. 10,480 MILLION** PESOS IN REVENUES AND **45,344 tCO_2e** EMITTED.

Notes on the calculation of emissions

— We used the Greenhouse Gas (GHG) Protocol methodology to prepare the emissions inventory, as well as the methodological agreements of the National Emissions Registry Program and its Regulations, to calculate emissions and obtain the corresponding factors and references.

— For Scope 2 emissions we used the 2021 National Electric System emission factor: 0.423 tCO_2e/MWh.

— The consolidation approach used for emissions was operational control.

— For the calculation of Scope 1, 2 and 3 emissions, the information was compiled by Axtel.

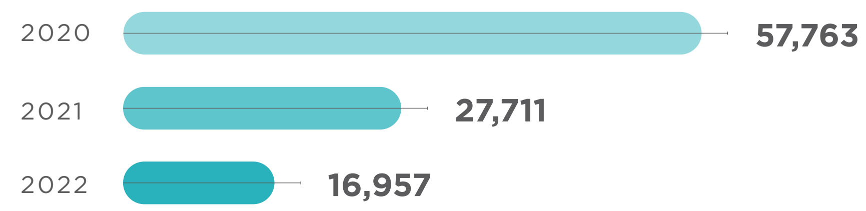
WATER CONSUMPTION

Although water is not essential to our operations, we understand that it is a vital resource that we all need and that it increasingly requires more responsible and conscious use. In this sense, we promote its efficient use and conservation through the **Efficient Water Use Policy.**

During 2022 we did not register affectations in sources due to our water consumption, which comes from the municipal supply of the entities where we have a presence and is discharged back to the same process.

We have 499 m^3 of water stored in cisterns in Nuevo León and Mexico City for its use in case of sanitary services and feeding of precision air equipment. In addition to 1,000 m^3 of water stored in cisterns for use in case of fire.

WATER CONSUMPTION (m^3)



WASTE MANAGEMENT AND DISPOSAL

Our technological solutions are intangible, this contributes to our consumption of materials being mainly for infrastructure and facilities issues. Following our **Waste and Residue Management Policy** and complying with the Official Mexican Standards and the environmental legislation in force in the country, we provide adequate management to the waste we generate.

Hazardous waste and lead acid batteries are temporarily stored and then sent for proper disposal and confinement through specialized suppliers.

Additionally, in 2022 we recycled 52 kilograms of paper and cardboard and prepared 50 kilograms of fiber and cardboard for reuse.

WASTE DISPOSAL
(tons)

	2020	2021	2022
Recycling	74	201	102
Landfill	782	701	257
Confinement	10	0.8	0.04
TOTAL	**866**	**903**	**359**

SOCIAL COMMITMENT

In Axtel we are very clear about the commitment we have with society to promote the use of information technologies to help our country become increasingly connected. We accomplish this through the dedication that our employees bring to their daily activities to fulfill our mission of enabling organizations to be more productive through digitalization.

OUR TEAM

We operate under flexible working models, which, with our digital transformation, have enabled our 4,083 employees to balance work and personal life, improving their well-being and quality of life.

EMPLOYEES BY TYPE OF CONTRACT AND GENDER

TYPE OF CONTRACT	WOMEN	MEN
Permanent contract	994	2,835
Temporary contract	73	181
Total	**1,067**	**3,016**

EMPLOYEES BY TYPE OF WORKDAY AND GENDER

	Women	Total	Men
FULL-TIME EMPLOYEES	1,062	4,072	3,010
PART-TIME EMPLOYEES	5	11	6

EMPLOYEES BY ORIGIN

NATIONAL	FOREIGNERS[1]
4,067	16

None of our employees are working outside of Mexico.

It is important to note that in Axtel we do not have employees employed by non-guaranteed hours, nor with workers who are not employees of the company.

EMPLOYEES BY CONTRACT TYPE AND REGION

REGION	PERMANENT CONTRACT	TEMPORARY CONTRACT
South Central	1,190	148
North	2,322	91
West	318	14
Total	**3,830**	**253**

EMPLOYEES BY AGE AND GENDER

AGE	WOMEN	MEN	TOTAL
Under 30 years old	140	277	417
Between 31 and 50 years old	811	2,170	2,981
Over 51 years	116	569	685

EXECUTIVES HIRED WITHIN THE LOCAL COMMUNITY

68%	MONTERREY
25%	MEXICO CITY
3%	GUADALAJARA
3%	OTHERS[2]

Executives are personnel in managerial or higher positions.

[1] Some of our employees are originally from Ecuador, Argentina, Honduras, France, Colombia, Venezuela, Guatemala, Peru, Chile, Guinea.
[2] Mérida, Cancún and Tijuana.

EMPLOYEES BY JOB CATEGORY, GENDER AND AGE

JOB CATEGORY	UNDER 30 YEARS OLD		BETWEEN 31 AND 50 YEARS OLD		OVER 51 YEARS OLD	
	Women	Men	Women	Men	Women	Men
Executive Officers	0	0	0	0	0	8
General managers	0	0	3	15	2	17
Managers	0	0	16	66	0	38
Middle managers	2	2	70	171	15	95
Employees	94	205	547	1,750	84	375
Analysts	34	61	125	117	3	24
Staff	10	9	50	51	12	12
Total	**140**	**277**	**811**	**2,170**	**116**	**569**

Note. In the case of women in positions that generate sales, employees in sales executive positions were considered, while in STEM positions those related to innovation, research and development are considered.

EMPLOYEES BY DIVERSITY CATEGORY

DIVERSITY CATEGORY	NUMBER	PERCENTAGE OF GROUP TO WHICH THEY BELONG	PERCENTAGE OF TOTAL
Men	3,016	-	74%
Women	1,067	-	26%
Disability	3	-	0.07%
Women in executive positions	0	0	0
Women in management	16	1.5%	0.39%
Women in sales-generating positions	266	24.9%	6.51%
Women in STEM[3] positions	34	3.2%	0.83%

[3] STEM, science, technology, engineering and mathematics.

At Axtel we make no gender distinction, and we provide the same entry-level salary to men and women. During 2022, the ratio of the initial category salary compared to the general minimum wage defined by the Mexican Secretariat of Labor and Social Welfare was 1.51 for men and 1.52 for women. While the ratio of the total annual compensation was 33.6 and that of the percentage increase of the total annual compensation was 0.8.

Our human capital plays a fundamental role in creating innovative technological solutions that exceed the expectations of our customers. With the interest of integrating committed and talented people into our team, in our value proposition we offer attractive compensations and benefits, as well as training and constant development, good working environment and respectful and inclusive workspaces.

This offer allowed 340 people to join our workforce during 2022.

NEW HIRES BY GENDER

FEMALE	MEN
87	253

NEW HIRES BY REGION, GENDER AND AGE

REGION	AGE					
	LESS THAN 30 YEARS OLD		BETWEEN 31 AND 50 YEARS OLD		MORE THAN 51 YEARS	
	Female	Male	Female	Male	Female	Male
Center	9	28	28	71	1	13
North	21	48	18	60	2	7
West	1	8	7	17	0	1
Total	**31**	**84**	**53**	**148**	**3**	**21**

New hire rate in 2022: **8.3%.**

GENDER TURNOVER

FEMALE	MALE
118	355

TURNOVER BY REGION, GENDER AND AGE

REGION	AGE					
	LESS THAN 30 YEARS OLD		BETWEEN 31 AND 50 YEARS OLD		MORE THAN 51 YEARS	
	Female	Male	Female	Male	Female	Male
Center	10	25	41	84	4	26
North	22	50	32	119	2	20
Occident	3	9	2	18	2	4
Total	**35**	**84**	**75**	**221**	**8**	**50**

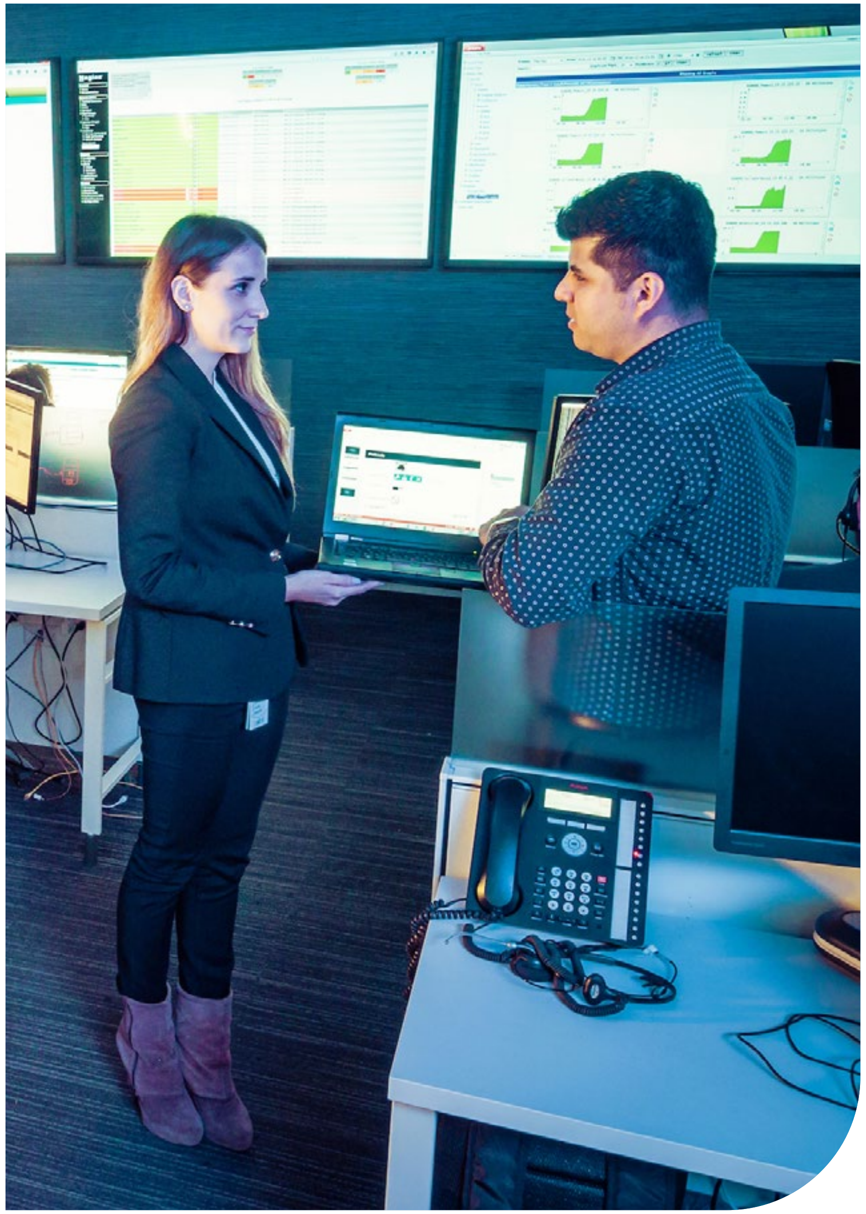
2021 turnover rate: **7.94%**

OF THE 556 PEOPLE WHO FOR VARIOUS REASONS STOPPED WORKING AT AXTEL, **324 DID SO VOLUNTARILY.**

Our employees are our most valuable asset, and we know that their commitment and dedication are fundamental to meet the needs of our customers. We are committed to their well-being, so we offer benefits superior to what is required by law in Mexico, so that they can improve the quality of life and have a sense of security and stability in their career.

AXTEL BENEFIT PLAN

- DOUBLE CHRISTMAS BONUS DAYS
- MAJOR MEDICAL INSURANCE WITH COVID-19 COVERAGE
- LIFE INSURANCE
- SAVINGS PLAN
- 20-DAY LEAVE FOR PERSONAL MATTERS
- DISABILITY OR INVALIDITY COVERAGE
- MATERNITY AND PATERNITY LEAVE



In 2022 we granted 256 maternity and 30 paternity leaves, of which 100% of the employees returned to their activities at the end of their leave and remain within our workforce 12 months after returning from parental leave.

We strive to ensure that employees who reach retirement have the necessary tools to face their life after retirement with peace of mind and confidence. In this regard, we have ***Cuenta Crecer***, our retirement plan in which Axtel contributes 4% of the salary of each employee[4].

To support executives who are about to retire, we have the ***Visiónate*** program, in which we offer workshops and talks to facilitate their transition to this new stage. During the year, three executives used this benefit.

[4] This benefit Applies only for Axtel, S.A.B., Alestra Innovación, Estrategias Corporativas and Alestra Servicios Móviles.

HEALTH & SAFETY

The physical, mental and emotional well-being of our employees is essential to their job performance and satisfaction, so we strive to ensure they feel safe at home, onsite and in our offices.

In addition, to guarantee health and safety in the company, we have the **Safety and Hygiene Commission**, which represents 100% of our employees and is responsible for monitoring safety measures, dealing with potential health crises, inspecting workspaces and conducting investigations related to occupational accident investigations. We also have a Security Committee and a group of Civil Protection Brigades to follow up on security measures.

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

1. Tasks and activities are described by jobs.
2. The Task Safety Analysis (AST) format is applied to identify risk and classification steps based on their probability-consequence.
3. A risk matrix is established and evaluated.
4. The level of risk (hierarchy of control or prioritization) is defined to establish priorities.
5. Risk mitigation and control measures (elimination, prevention and control) are proposed.

We also define a process that, when a work incident occurs, allows us to identify improvements in the health and safety management system to prevent future incidents.

1. An incident and/or accident is reported to human resources.
2. A report and investigation form is completed by the line manager in conjunction with Occupational Safety and Health OSH.
3. Causes and risk factors are detected.
4. Recommendations are issued.
5. A control is implemented and followed up with recommendations focused on training, work environment, facilities, processes, machinery and/or equipment.

In the last months of the year, we carried out the Training Program for Civil Protection Brigades in Monterrey, aimed at employees who are part of the Immediate Response Unit for their work areas and who are responsible for guiding their colleagues on how to react to an emergency.

72 HOURS OF TRAINING WERE PROVIDED TO 110 EMPLOYEES ON TOPICS SUCH AS BUILDING EVACUATION, FIRST AID AND CPR, FIRE PREVENTION AND FIGHTING, SEARCH AND RESCUE.

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

- MEDICAL DEPARTMENT ADVICE (ON-SITE AND VIA TEAMS)
- ADVICE ON MAJOR MEDICAL EXPENSES
- TALKS WITH SPECIALISTS
- AGREEMENTS WITH LABORATORIES, DOCTORS' OFFICES AND CARE CLINICS
- MEDICAL CONSULTATION AND COUNSELING (CANCER, PROSTATE, DIABETES)
- COVID-19 VACCINATION CAMPAIGNS
- FLU VACCINATION CAMPAIGNS
- CONSULTATION WITH NUTRITIONIST
- PSYCHOLOGICAL COUNSELING
- MEASUREMENT OF PREVENTIVE HEALTH INDICATORS (IMSS)
- VOLUNTARY AFFILIATION OF FAMILY MEMBERS WITH COST

For our employees who work at heights we maintain a clinical history for high-risk work. We also have a medical epidemiological surveillance program and a program of health information talks given by medical specialists.

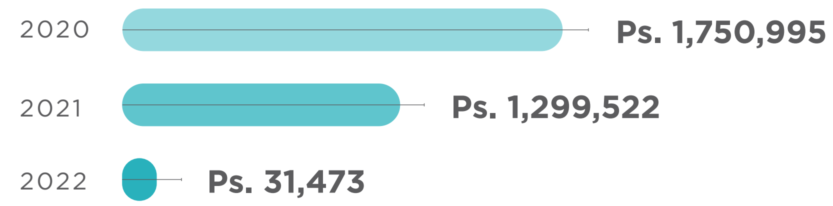
At Axtel, we have consistently promoted the vaccination of our staff against COVID-19 and influenza. In Nuevo León, we supported 664 employees and their families with transfers to the U.S. border to get vaccinated in that country. Additionally, we participated in flu vaccination campaigns, inviting our employees to get the vaccine through different programs in Mexico City and Monterrey. At the close of the campaigns, 1,964 vaccines were administered to employees and their families.

We continue with the 1 PE$O VALE 2 campaign, which aims to raise funds, through voluntary donations, to support employees or immediate family members who have pressing, or critical needs derived from COVID-19. For every Mexican peso donated by a collaborator, Axtel gives another peso. Fortunately, during 2022 it was not necessary as much support as at the beginning of the pandemic.

SUPPORTED EMPLOYEES

2020:	2021:	2022:
65	51	2

AMOUNT OF SUPPORT FROM AXTEL AND EMPLOYEES



The health of our employees goes beyond preventing accidents, injuries or contagion. In line with the requirements of NOM 035 Psychosocial Risk Factors at Work and seeking to improve the quality of life of our employees, we implemented the Integral Welfare strategy, through which we seek to create healthy and positive work environments, avoiding any form of violence, abuse, retaliation and/or discrimination, in addition to providing opportunities for development and balance between work and personal life.

IN 2022 WE **STARTED WITH THE ONLINE EMOTIONAL HEALTH TALK PROGRAM**, INVITING EMPLOYEES AND THEIR FAMILIES TO PARTICIPATE IN SESSIONS LED BY A SPECIALIST PSYCHOLOGIST, COVERING TOPICS SUCH AS EMPATHY, STRESS MANAGEMENT, RESILIENCE, BELIEFS AND EMOTION MANAGEMENT.

INTEGRAL WELFARE IS MADE UP OF THREE DIMENSIONS:

HEALTH

With guidelines and protocols on various topics such as psychosocial risk factors NOM 035, attention to traumatic events, common illnesses, financial health, self-help, stress and mental health care. This year we offered 26 talks from specialists on these topics and five virtual workshops to promote family coexistence, in addition to implementing a self-help group for employees who have experienced traumatic events or some loss.

PROFESSIONAL

We consolidated our hybrid training model, enhancing the advantages that technology gives us and taking advantage of the openness to resume face-to-face activities; all with the specific goal of keeping our employees updated and continuing to strengthen their professional development. We also continued to bring different educational partners closer to our employees and their families. After two years of pandemic, we recognized in person the trajectory of our employees in Monterrey, Mexico City and Guadalajara who completed 10, 15, 20, 25 and 30 years of work in Axtel.

BALANCE

With the average participation of 221 employees in monthly virtual workshops focused on finance, nutrition and environmental care.

Annually we provide general and specific courses on health and safety issues for employees, depending on their job position.

GENERAL

- Evacuation of buildings
- Fire prevention and fighting
- First aid
- Diverse talks on health
- Talks on psychology and stress

SPECIFIC

- Working at heights
- Work on telecommunication towers

We maintain a focus on the prevention or mitigation of the main risks to health and safety at work to which our employees are exposed such as work accidents in the operational areas in the field, internal plant, warehouse and maintenance derived from falls from heights, electrical contacts and traffic accidents.

We recorded five injuries of our employees from workplace accidents, neck or ankle sprains from car accidents, arm and hand injuries from falls, and hand scrapes.

WE DID NOT RECORD ANY INJURIES OR FATALITIES OF WORKERS WHO ARE NOT EMPLOYEES OF AXTEL. THERE WERE NO OCCUPATIONAL ILLNESSES OR DISEASES IN OUR EMPLOYEES OR IN WORKERS WHO ARE NOT EMPLOYEES DURING 2022.

WORK-RELATED INJURIES INDICATORS

CONCEPT	NUMBER	RATE*
Fatalities	0	0
Work-related injury with major consequences	0	0
Recordable work-related injury	5	0.03
Recordable work-related illness	0	0

* For the calculation of the rate, 9,122,345 hours worked were considered.

EMPLOYEE DEVELOPMENT

We strive to support the professional growth of our employees by providing them with the skills and knowledge they need today and in the future. Our commitment is to promote continuous development and training to help them achieve their professional goals.

We are committed to providing our employees with tools and resources for their continuous professional development. This includes internal training programs, peer mentoring, and online certification programs. In addition, we promote continuing education through online learning platforms such as Linkedin Learning and UniAlestra, our internal university.

WE RENEWED **29 EDUCATIONAL AGREEMENTS** AND INTEGRATED THREE ADDITIONAL AGREEMENTS FOR THE DEVELOPMENT OF OUR EMPLOYEES.

We are proud to report that during 2022 we constituted the Instituto de Desarrollo Tecnológico y de Talento Alestra, better known as UniAlestra, as an organization recognized by the Mexican Secretariat of Public Education to provide certifications and master's degrees with official validity from 2023.

Likewise, this year we increased the participation of our employees from 89% to 92% in internal institutional courses and specialized courses through UniAlestra, exceeding by 2 percentage points the goal we had defined for 2022 of 90%.

TRAINING	TRAINED WORKFORCE
Institutional training program[5]	91 %
Certification for ascent to towers and work at heights	486 employees
Onboarding	265 employees
Leadership in psychosocial risk prevention	90 %
BANT Workshop	368 employees
PEGA Certification	107 employees
Training of instructors	81 instructors
Knowledge of products and services	11,803 attendees
Microsoft Learning Path	102 employees
Business skills	86 %
Professional development program	381 employees

Note. Most of these courses are taught on digital platforms.

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

DURING 2022, **WE INVESTED PS. 12,867,301 IN TRAINING** FOR OUR EMPLOYEES.

This year we organized four awareness-raising sessions on human rights issues such as diversity and inclusion in the workplace, discrimination in the workplace and inclusive enterprises, with a total duration of 1,715 hours, in which we had the participation of 3,813 employees, representing 93% of the workforce.

AVERAGE HOURS OF TRAINING BY JOB CATEGORY AND GENDER

JOB CATEGORY	TOTAL TRAINING HOURS		AVERAGE HOURS OF TRAINING	
	Women	Men	Women	Men
Chief Executive Officers	0	162	0	23.1
Executive Officers	249	1,075	49.8	33.6
Managers	738	4,363	46.1	41.9
Middle managers	5,271	14,261	62.8	53.4
Employees	36,306	104,963	47.3	44.5
Analysts	7,443	10,185	39.2	42.1
Total	**50,006**	**135,009**	**47.0**	**44.9**

46 **HOURS OF TRAINING** PROVIDED IN 2022 TO OUR EMPLOYEES.

We look for innovative alternatives to strengthen the development of our employees with the appropriate training and development opportunities. This year we established the Desarrollo Tecnológico y de Talento Alestra, with the official recognition of the Mexican Secretariat of Public Education, to start operating in 2023 being able to issue diplomas with official validity.

Similarly, we have 29 educational agreements and integrated three additional agreements for the development of our employees and their families.

We know that the world is constantly changing, and technology is advancing at a rapid rate, so it is essential to stay informed about the latest trends and developments in our industry. For this reason, 125 employees obtained 208 certifications in different technologies and technical knowledge by institutions such as Amazon Web Services, Avaya, CISCO, EC-Council, Fortinet, ISACA, ISO, ITIL, Microsoft, PMP, SCRUM, Six Sigma and Kanban with an investment of Ps. 8,821.467. In addition, 150 employees completed 3,403 courses in a self-managed way with a technological and methodological approach for their functions, equivalent to more than 2,902 hours of training.

We monitor the performance and skills of our employees through evaluations that allow us to identify areas for improvement and design training plans. In 2022, our employees, middle managers, managers and directors received a performance evaluation.

PERFORMANCE EVALUATION BY POSITION AND GENDER

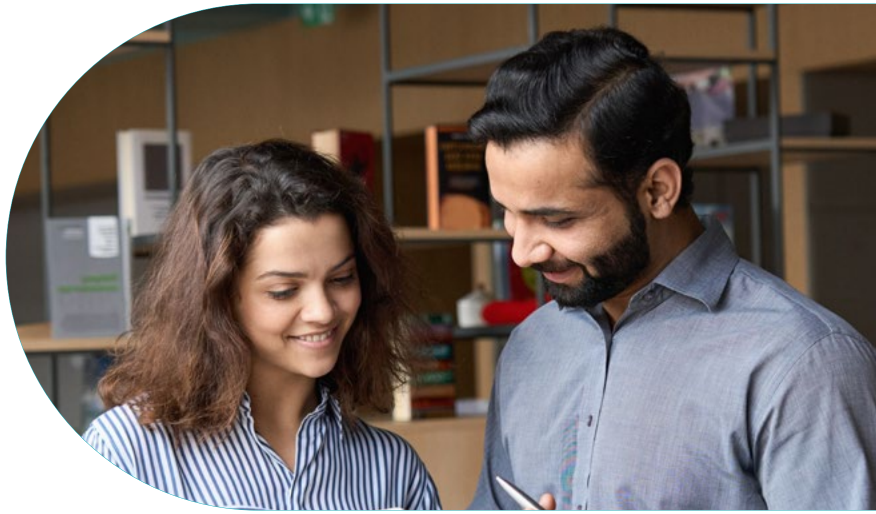
CHARGE	Women	Men
Middle managers	18	17
Employees	120	130
Total	**138**	**147**

EVALUATION BY OBJECTIVES AND BEHAVIORS FOR EXECUTIVES BY GENDER

CHARGE	Women	Men
Executive Officers	-	8
Directors	4	32
Managers	17	104
Total	**21**	**144**

Every two years we apply an organizational climate survey to our employees to measure how committed they feel to the company. The most recent survey is that of 2021 in which 2,947 employees participated and that the result was a level of commitment of 98%.

As part of the organization's development strategy to recognize and improve the performance and management of our employees in a position of supervisor, leader, coordinator or boss, we apply a self-evaluation and evaluations with their manager and direct reports to have the feedback of the team on the behavior of the Leader, in order to promote alignment with Axtel's strategy and culture. This year, 561 middle managers and managers received leadership performance evaluations.



180° LEADERSHIP AND MANAGEMENT ASSESSMENT OF MIDDLE MANAGEMENT

CHARGE	Women	Men
Supervisor	5	16
Leader	30	168
Chief	12	43
Specialist / Consultant / Administrator	11	29
Coordinator	23	63
Total	**81**	**319**

360° ASSESSMENT OF EXECUTIVE LEADERSHIP AND MANAGEMENT

CHARGE	Women	Men
Executive Officers		7
General managers	4	32
Managers	16	102
Total	**20**	**141**

For the second consecutive year we obtained the **Distintivo Factor Wellbeing** awarded by the Institute of Well-being and Happiness Sciences (ICBF) of the Tec Milenio University, which recognizes organizations that invest in the well-being of their employees through the implementation of positive practices in organizational processes.

We also received the **Distintivo TRe** that recognizes companies with healthy labor processes, employees and organizational results, which is granted through the Secretariat of Labor of Nuevo León.

SOCIAL BONDING

We recognize the importance of contributing to society while strengthening our culture and building solid relationships with our employees and the community, so we dedicate efforts to promote different initiatives focused on supporting important causes and improving people's quality of life.

The document that frames our commitment to corporate social responsibility is the **Corporate Philanthropy Directive**[6], a document that we published in 2022 and where we establish that our primary scope for support is the community represented by the families of our employees, followed by the communities or institutions that attend causes related to health, education and the environment.

In this line, we participate with Líderes en Movimiento (LeM,), an initiative of the Mexican Business Council (CMN) and El Colegio de México, inviting the children or relatives of our employees to an extracurricular and highly demanding academic program that it seeks to identify young Mexicans with outstanding intellectual talent, leadership potential and a strong social commitment to their community and the country.

[6] See the Corporate Philanthropy Directive: https://www.axtelcorp.mx/repositorio/vinculacion-social/Directriz-Filantropia-Corporativa_2022.pdf

LeM is aimed at university students (bachelor's and engineering) and high school students (baccalaureates of any subsystem) belonging to the CMN community and the 60 companies that make it up. Of our employees, nine young people participated for university degree and 10 for the upper secondary education program.

We support labor inclusion through the donation of our services for the creation, administration and maintenance of the job bank of Movimiento Congruencia, a non-profit organization that provides a solution, together with educational institutions and social organizations, to the socio-labor problems faced by people with disabilities.

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

$68,600	JOHN LANGDON DOWN
$31,200	NUEVO AMANECER
$22,440	NUEVO AMANECER
$13,250	ALIANZA ANTICÁNCER INFANTIL
$5,160	CRUZ ROJA

At the end of the year, we organized a Christmas campaign in which 243 toys and Ps. 40,814 were raised for the benefit of marginalized communities in Nuevo León; we also raised Ps. 68,600 in donations from our employees via payroll to support the John Langdon Down Foundation during the holiday season.

Throughout the year we organized virtual celebrations to celebrate the anniversaries by holding 12 national competitions on cultural celebrations. In addition, we held different recreational tournaments in Mexico City, Monterrey and Guadalajara focused on promoting the integration of all our employees and their families.

Additionally, we made a donation of 20 computer equipment for students of the Sectetariat of Education of Tamaulipas (SET), promoting education. And we had six agreements with universities and a total of 130 students who did their professional internships at Axtel.

ÁLVARO FERNÁNDEZ GARZA AND **TOMÁS MILMO SANTOS** ARE CO-CHAIRS OF THE BOARD OF DIRECTORS OF AXTEL.

ACCORDING TO THE LMV AND WHAT WE HAVE DEFINED INTERNALLY, **55% OF AXTEL'S DIRECTORS ARE INDEPENDENT.**

CORPORATE GOVERNANCE

Our company's leadership is critical to achieving the expected business results and maintaining ourselves as a sustainable and competitive enterprise. We have a strong governance structure and a culture of integrity and transparency at work.

Axtel's Board of Directors, which is the highest governing body of the company, is made up of 11 proprietary directors, six of whom are independent and one alternate.

The members were appointed and approved at the **General Shareholders' Meeting on March 7, 2022**, in accordance with the guidelines defined in the Stock Market Act (LMV, by its acronym in Spanish), Axtel's bylaws, our Code of Ethics, the OECD Code of Principles and Best Practices of Corporate Governance and the Global Compact Principles.

Our Board of Directors , together with the CEO, is responsible for ensuring the creation of significant value for our customers, employees, investors and suppliers through responsible decision-making, focused on the business strategy and following with the values, ethics and integrity that define us as a company.

[1] Learn about the main functions of the Board of Directors in: https://www.axtelcorp.mx/consejo-de-administracion/

At least once a year, the Board evaluates the action plan, strategy and metrics that are part of Axtel's sustainability plan. The Executive Committee, made up of the Co-Chairs, CEO, Chief Financial Officer and Executive Director of Planning, reviews this plan and progress at least once every three months, during this time, they keep track of the strategy, goals and progress in the ESG fields.

To prevent and mitigate possible conflicts of interest that may arise around our business practices, we adhere to the BMV's Code of Corporate Governance Principles and Best Practices.

In the event of any conflict of interest, the directors have the responsibility to communicate it to the Board of Directors prior to making any decision, as well as to abstain from participating and being present at the deliberation and voting of said matter, without affecting the quorum required for the installation of the board.

For the performance of their duties, the members of Axtel's Board of Directors receive emoluments of Ps. 70,000 for each board meeting they serve.

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

DURING 2022 WE DID NOT REGISTER ANY CONFLICT OF INTEREST, NOR WERE THERE CRITICAL CONCERNS ON THE PART OF OUR INVESTORS OR STAKEHOLDERS TO NOTIFY THE BOARD OF DIRECTORS.

IN 2022, FIVE MEETINGS OF THE BOARD OF DIRECTORS WERE HELD WITH AN **AVERAGE ATTENDANCE OF 92%.**

To determine the remuneration of the management team, we take as a reference our Salary Administration Policy, we carry out market surveys and we consider economic indicators such as inflation, growth expectations and the situation of the company. Independent consultants do not participate in this process, however, proposals for general increases and/or adjustment to benefits or benefits are submitted to the General Management for approval.

The total remuneration paid by Axtel to its directors and management team during 2022 was approximately Ps. 67 million.

37.26 % RATIO OF THE TOTAL ANNUAL COMPENSATION CEO COMPARED TO THE EMPLOYEES' MEAN.

97 % VARIATION IN THE TOTAL ANNUAL CEO COMPENSATION COMPARED TO THE EMPLOYEES' MEAN.

Our Board of Directors is assisted by the **Audit and Corporate Practices Committee**[2], which is made up of three independent directors and is chaired by Enrique Meyer Guzmán.

BOARD OF DIRECTORS

DIRECTOR	AGE	SENIORITY ON THE BOARD	INDUSTRIES OF EXPERTISE
Álvaro Fernández Garza (Co-Chairmen)	54 years old	6 years	Telecommunications (ICT), Automotive, Consumer Goods, Petrochemical
Tomás Milmo Santos (Co-Chairmen)	58 years old	28 years	Telecommunications (ICT), Energy
Eduardo Alberto Escalante Castillo (Proprietary Directors)	64 years old	3 years	Telecommunications (ICT), Petrochemical, Food, Steel
Armando Garza Sada (Proprietary Directors)	65 years old	6 years	Consumer Goods, Petrochemical, Automotive, Construction
Patricio Jiménez Barrera (Proprietary Directors)	57 years old	15 years	Telecommunications (ICT), Banking and Brokerage House
Alejandro Miguel Elizondo Barragán (Independent Proprietary Directors)	69 years old	6 years	Steel, Petrochemical, Food & Beverage
Juan Ignacio Garza Herrera (Independent Proprietary Directors)	56 years old	6 years	Electrical, Food
Fernando Ángel González Olivieri (Independent Proprietary Directors)	68 years old	12 years	Steel, heavy building materials, Sustainability
Enrique Meyer Guzmán (Independent Proprietary Directors)	62 years old	6 years	Industrial, Construction, Real Estate
Ricardo Saldívar Escajadillo (Independent Proprietary Directors)	70 years old	6 years	Retail distributor, Telecommunications (ICT)
Alberto Santos Boesch (Independent Proprietary Directors)	51 years old	9 años	Airport, Entertainment

Co-Chairmen | Proprietary Directors | Independent Proprietary Directors

All the members of the Board of Directors are Mexican.

[2] Learn about the main functions of the Audit and Corporate Practices Committee in: https://www.axtelcorp.mx/comite-de-auditoria/

THE AVERAGE TENURE OF THE MEMBERS ON THE BOARD OF DIRECTORS OF AXTEL IS NINE YEARS.

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

CO-CHAIRMEN

Álvaro Fernández Garza

March 27, 1968 (54 years old)

Director and Co-Chairman of the Board of Directors of Axtel since February 2016 (7 years).

CEO of ALFA, S.A.B. de C.V. (ALFA). Chairman of the Board of the Universidad de Monterrey (UDEM) and Co-President of Nemak. Member of the Boards of ALFA, Alpek, Cydsa, Grupo Aeroportuario del Pacífico and Vitro.

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

Experience:

- Telecommunications Industry (ICT): Executive Director of Alestra from 1996 to March 2003.
- Functions: Finance, Operations, Strategic Planning
- Industries: Telecommunications, Automotive, Consumer Goods, Petrochemical

Tomás Milmo Santos

November 3, 1964 (58 years old)

Director and Co-Chairman of the Board of Directors of Axtel since February 2016, prior to the merger between Axtel and Alestra, he was Director of Axtel since 1994 (27 years).

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

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

Experience:

- Telecommunications Industry (ICT): General Director of Axtel from 1994 to February 2016.
- Functions: Entrepreneurship, Business Management, Administration.
- Industries: Telecommunications, Energy

PROPRIETARY DIRECTORS

Eduardo A. Escalante Castillo

March 27, 1958 (64 years old)

Director of Axtel since February 2019 (4 years).

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

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

Experience:

- Telecommunications Industry (ICT): CEO of Axtel from January 2021 to April 2022; Marketing Director of Alestra from 1996 to March 2003
- Functions: Finance, Strategic Planning
- Industries: Telecommunications (ICT), Petrochemical, Food, Steel

Armando Garza Sada

June 29, 1957 (65 years old)

Director of Axtel since February 2016 (7 years).

Chairman of the Board of Directors of ALFA and Alpek, as well as Co-Chairman of Nemak. Member of the Boards of BBVA Mexico, CEMEX, Grupo Lamosa and Liverpool.

Graduated from the Massachusetts Institute of Technology, with a Master's Degree in Management from Stanford University.

Experience:

- Functions: Strategic Planning, Finance, Operations
- Industries: Consumer Goods, Petrochemical, Automotive, Construction

Patricio Jiménez Barrera

October 29, 1965 (57 years old)

Director of Axtel since February 2018, prior to the merger between Axtel and Alestra, he was Director of Axtel from 2005 to 2016 (15 years).

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

He is a Public Accountant from ITESM.

Experience:

- Telecommunications Industry (ICT): Executive Director of Finance of Axtel from 1998 to February 2009
- Functions: Finance, Investment Banking, Administration, Human Resources, Treasury
- Industries: Telecommunications, Banking and Brokerage

INDEPENDENT PROPRIETARY DIRECTORS

Alejandro Miguel Elizondo Barragán
October 14, 1953 (69 years old)

Director of Axtel since February 2016 (7 years).

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

He is a Mechanical Electrical Engineer from ITESM, with a Master's Degree in Administration from Harvard University

Experience:

- Functions: Planning, Finance, Business Development, Administration
- Industries: Steel, Petrochemical, Food & Beverage

Juan Ignacio Garza Herrera
November 26, 1966 (56 years old)

Director of Axtel since February 2016 (7 years).

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

He is a Mechanical Engineer from ITESM, with a Master's Degree in Administration from the University of San Francisco.

Experience:

- Functions: Manufacturing, International Trade, Human Capital
- Industries: Electrical, Food

INDEPENDENT PROPRIETARY DIRECTORS

Fernando Ángel González Olivieri
October 2, 1954 (68 years old)

Director of Axtel since February 2016, prior to the merger between Axtel and Alestra, he was Director of Axtel since 2010 (11 years).

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

He has a degree and a postgraduate degree in Administration from ITESM.

Experience:

- Functions: Business Management, Strategic Planning, Business Development, Climate Change/Sustainability, Digital Transformationl
- Industries: Steel, Heavy construction materials

Enrique Meyer Guzmán
January 7, 1960 (62 years old)

Director of Axtel since February 2016 (7 years).

Chairman of the Board and CEO of Grupo CEMIX. Director of UDEM, Bancomer, Banamex, Silica Desarrollo, S.A. (Arboleda), Fondo Emblem and Beliveo.

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

Experience:

- Functions: Entrepreneurship, Business Management, Administration
- Industries: Industrial, Construction, Real Estate

INDEPENDENT PROPRIETARY DIRECTORS

Ricardo Saldívar Escajadillo

November 20, 1952 (70 years old)

Director of Axtel since February 2016 (7 years)

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

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

Experience:

- Telecommunications Industry (ICT): Executive Director of Finance of Alestra from 1996 to January 1999
- Functions: Administration, Finance
- Industries: Retail Distributor, Telecommunications

Alberto Santos Boesch

August 26, 1971 (51 years old)

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

Director of Gruma, BBVA Bancomer, Interpuerto Monterrey, Development Committee of the ITESM, Instituto Nuevo Amanecer, Renace, Filantroía de Egresados y Amigos del Tec, Committee of the Advisory Council of the Faculty of Political Science and Public Administration of the UANL, Unidos por el Arte contra el Cáncer Infantil (UNAC) and Board of Trustees of the Metropolitan Hospital.

He has a degree in International Studies from UDEM.

Experience:

- Functions: Business Management, Philanthropy
- Industries: Airport, Food, Entertainment

ALTERNATE DIRECTORS

José Antonio González Flores

May 5, 1970 (51 years old)

Alternate director of Axtel since February 2016.

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

He is an Industrial and Systems Engineer from ITESM, with a Master's Degree in Business Administration from Stanford University.

Experience:

- Functions: Finance, Strategic Planning
- Industries: Heavy construction materials

OUR DIRECTORS HAVE EXTENSIVE PROFESSIONAL EXPERIENCE IN A NUMBER OF INDUSTRIES AND KNOWLEDGE IN ESG MANAGEMENT FOR BUSINESS.

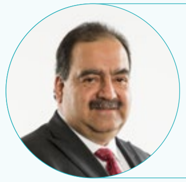
MANAGEMENT TEAM

Our management team is responsible for decision-making, as well as the implementation and monitoring of processes to ensure the adequate performance of Axtel. It is made up of professionals with extensive experience in the Information and Communication Technologies sector. The Executive Directors who lead the different areas report directly to the CEO.

SINCE APRIL 2022, **ARMANDO DE LA PEÑA IS THE CEO OF AXTEL.**

Armando de la Peña
56 years old
CEO

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



Carlos G. Buchanan Ortega
63 years old
Executive Director of Human Capital

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

Sergio Antonio Bravo García

57 years old

Executive Director of the Government Sector

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

Andrés E.Cordovez Ferretto

54 years old

Executive Director of Infrastructure and Operations

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

Adrián De Los Santos Escobedo

54 years old

Chief Financial Officer

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

Bernardo García Reynoso

64 years old

Executive Director of Planning and Development

He joined Alfa in 1985 and joined Alestra since its foundation in 1996, holding various positions in the areas of Sales, Marketing, Strategic Alliances, Administration and Human Resources. He was Alestra's Chief Financial Officer for the 7 years prior to the merger, becoming the Executive Director of Planning and Development of Axtel in 2016. He is an Industrial and Systems Engineer from ITESM, with a Master's Degree in International Trade from Universidad de Monterrey and a Master's Degree in Business Administration from the International Institute for Management Development (IMD) in Lausanne, Switzerland.

Ricardo J. Hinojosa González

56 years old

Executive Director of Enterprise Market

Responsible for the business and management of the Alestra and Axnet brands, he is in charge of the strategic development of solutions, as well as the marketing and customer experience of both portfolios. He has held various executive positions over the past 33 years, driving the digital transformation of the business into a leading highly specialized services company. He holds a bachelor's degree in Administrative Computer Systems from ITESM, and a Master's Degree in Business Administration from the University of California, Los Angeles. He has specialized management studies from IPADE, Wharton University and Tuck. He is also a constant speaker in various national and international forums on technology and innovation.

Raúl Ortega Ibarra

66 years old

Legal and Regulatory Executive Director

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

RISKS AND OPPORTUNITIES

MANAGEMENT

Identifying, managing and monitoring the risks to which we are exposed is one of the activities in which Axtel's Internal Control area participates, under the Executive Finance Directorate[3].

This exercise is carried out under a comprehensive approach in which each of the Executive Directorates identifies the main existing and emerging risks, which may be related to financial, macroeconomic, legal, fiscal, security, operational, cybernetic, cybersecurity, natural disasters and those derived from climate change.

The result is a risk matrix where they are classified:

- By type, whether strategic, operational, financial, information or climate.
- By probability and impact

At the same time, a strategy is developed to manage them and those responsible for monitoring them are defined.

The risk matrix is presented to the CEO, the Audit and Corporate Practices Committee of Axtel and ALFA on a quarterly basis to define the follow-up and monitoring actions that each executive management must carry out. Among the risks identified in 2022, the regulatory, market and financial risks stand out.

NUMBER OF RISKS IDENTIFIED BY PROBABILITY AND IMPACT

PROBABILITY	IMPACT			TOTAL
	HIGH	MIDDLE	LOW	
High	6	11	5	**22**
Medium	4	7	3	**14**
Low	1	5	10	**16**
Total	**11**	**23**	**18**	**52**

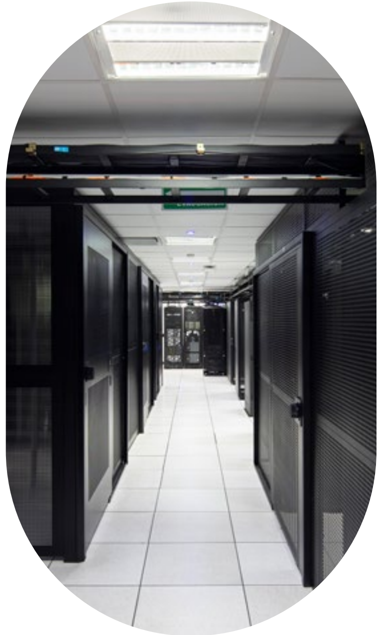
Additionally, during 2022 we updated our materiality analysis with the double materiality component, so we were able to identify the risks associated with Axtel's material issues[4].

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

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

OPERATING STRUCTURE

SUBSIDIARY	PERCENTAGE OF TENURE
Axtel, S. A. B. de C. V. (Controladora) [2]	-
Alestra Innovación Digital, S. de R.L. de C.V. [2]	100%
S&C Constructores de Sistemas, S.A. de C.V.	100%
Estrategias en Tecnología Corporativa, S.A. de C.V. [2]	100%
Servicios Alestra TI, S.A. de C.V. [2]	100%
Alestra USA, Inc. [1]	100%
Alestra Procesamiento de Pagos, S.A. de C.V. [2][3]	100%
Alestra Servicios Móviles, S.A. de C.V. [2]	100%
Fomento de Educación Tecnológica, S.C. [4]	100%
Axtel Networks, S.A. de C.V.	100%
AXE Redes e Infraestructura, S. A. de C. V.	100%
Allied Inmuebles, S.A. de C.V.	100%



(1) Leasing of telecommunications equipment and infrastructure.
(2) Telecommunications service provider.
(3) At the Extraordinary General Meeting held on December 1, 202 1, the shareholders agreed to carry out the merger of Services 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 A Alestra Procesamiento de Pagos, S.A.B. de C.V. (as a merging company); such merger has no impact on the Company's consolidated operation.
(4) Training and development services.

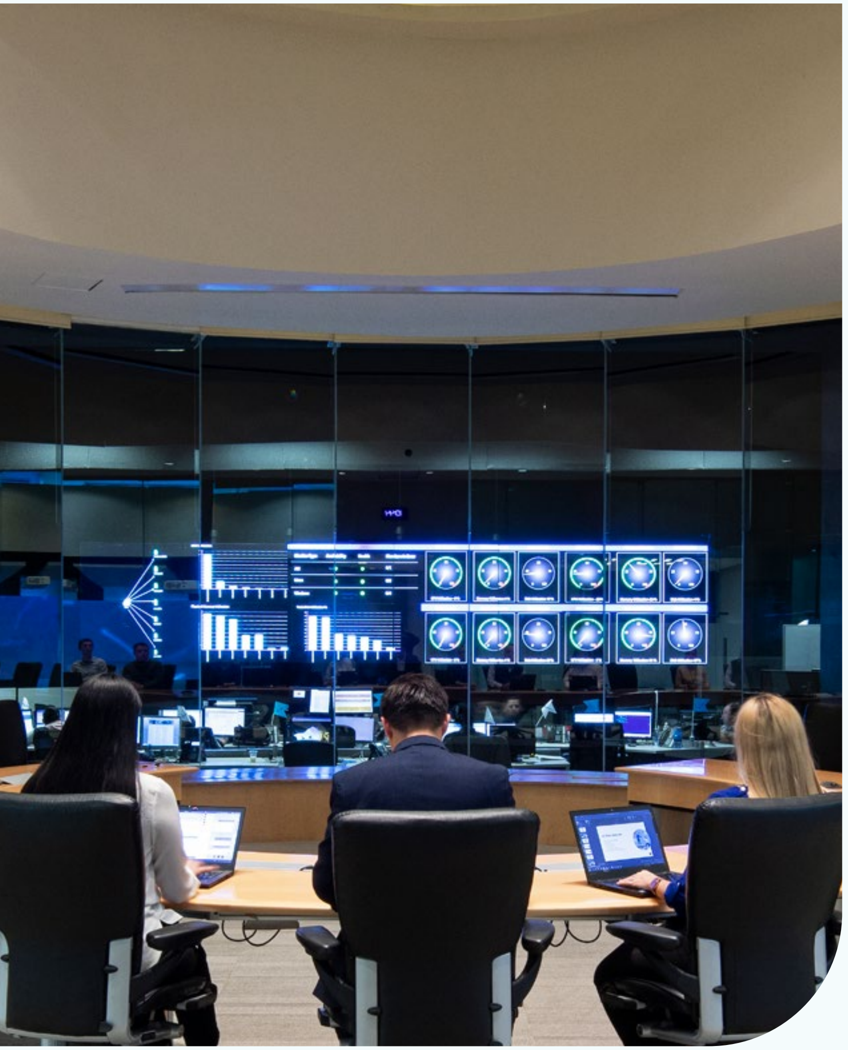
Note. In Axtel's 2022 Integrated Annual Report, we include information on the performance of these companies, which are the same as those reported in our financial report.

BUSINESS ETHICS AND HUMAN RIGHTS

We guide our business, operations, decisions and activities in accordance with the guidelines of our **Code of Ethics**[5], a document that defines the principles to generate respectful, non-discriminatory, equitable, inclusive and open to dialogue work environments. This code also establishes the expected behaviors of our employees in issues such as anti-corruption, bribery, conflicts of interest, political contributions, human rights, workplace harassment, safety and hygiene, confidentiality of information, marketing, communication, environmental protection and community participation, among others.

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

[5] See our Code of Ethics: https://www.axtelcorp.mx/codigo-de-etica/



Transversely, we promote and put into practice respect for human rights and people›s freedoms. The document that frames these efforts is our **Human Rights Policy**[6], which is based on the Universal Declaration of Human Rights and the Recommendations of the International Labour Organization (ILO), and is applicable to all our employees, customers, suppliers, business partners and other stakeholders.

At Axtel we reject any act of discrimination, child exploitation, forced labor, violation of the rights of indigenous peoples, abuses, coercion, impediment of association or collective bargaining, and/or threats, particularly towards vulnerable or disadvantaged stakeholders.

[6] See our Human Rights Policy: https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_de_Derechos_Humanos_2022.pdf

1

Suppliers and anyone who provides professional services to Axtel must adhere to the **Supplier Code of Conduct**[7], which contains the fundamental principles and guidelines to promote the experience of our culture of business ethics.

2

At the beginning of a commercial relationship, we request the signature of acceptance and commitment to the Supplier Code of Conduct.

3

At the time of hiring, all our employees receive a copy of the Code of Ethics that they must sign. In addition, each year we implement an online refresh course on ethics and integrity, during the year 3,776 were trained.

In Axtel we are committed to an integral and honest operation, adhered to Mexican regulations and following the Ten Principles of the Global Compact, therefore, we maintain a position of zero tolerance for corruption.

In this regard, in 2022 we notified 100% of our employees and 100% of our active suppliers about Axtel›s Anti-Corruption Policy through the Human Rights course and the signing of the Supplier Code of Ethics respectively[8].

We carried out a risk evaluation of those related to corruption of nine work centers[9] where Axtel carries out operations with customers and suppliers; also, since 2020 we are certified in ISO 37001: 2016 on anti-bribery management systems.

We also trained 3,708 employees in anti-corruption with a Culture of Integrity and Legality course.

[7] See our Supplier Code of Conduct: Microsoft Word - Code of Ethics Suppliers Axtel Digital (axtelcorp.mx)
[8] See Axtel's Anti-Corruption Policy: https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_Anticorrupcion_2022.pdf
[9] The nine work centers represent 100% of Axtel's operations.

On the other hand, we have the Manifest Charter of Conflict and Confidentiality of Information, where our employees reaffirm their acceptance and adherence to the values, principles and provisions of Axtel in ethical, labor, conflict of interest, corporate security and privacy matters. This year we received 4,395 signatures from contributors to this letter.

We make the **ALFA Transparency Mailbox** available to our stakeholders to report breaches of the Code of Ethics confidentially and anonymously or any of our policies. Also, we have the Compliance Officer figure, whose function is to monitor and supervise adherence to internal rules and ethical conduct within the organization.

Reporting channels ALFA Transparency Mailbox

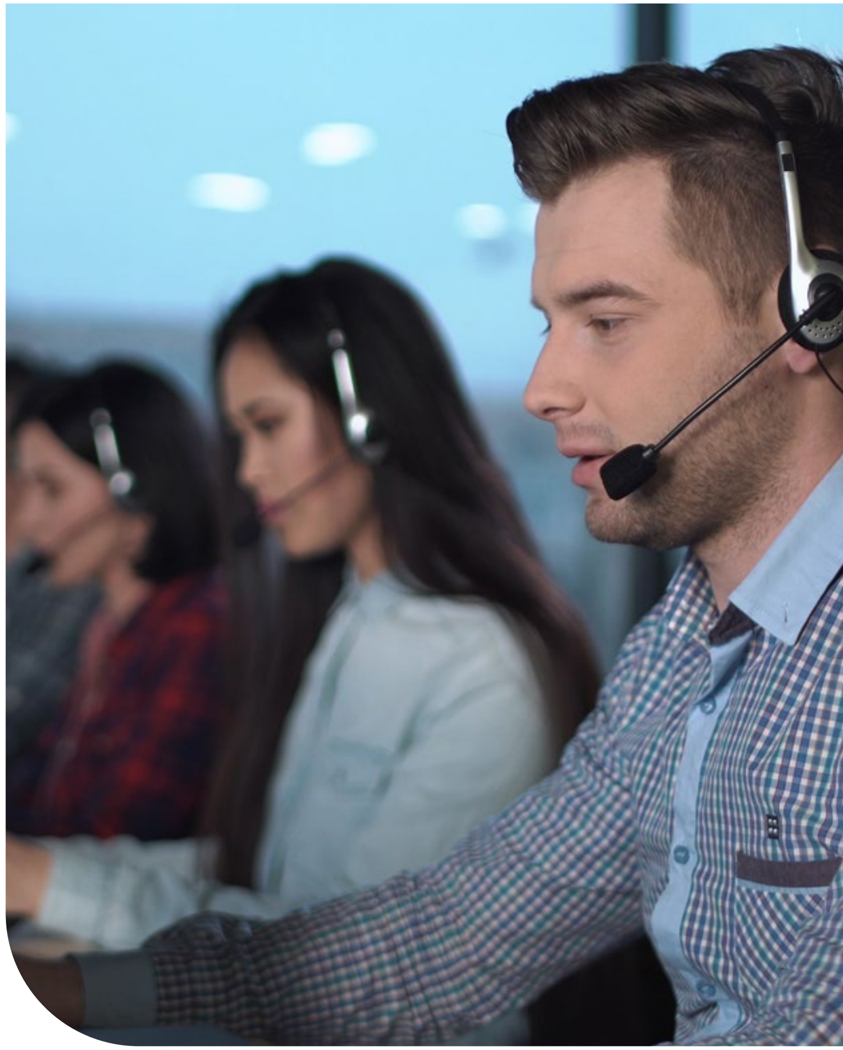
Email:
buzon@alfa.com.mx
transparenciaaxtel@axtel.com.mx

WhatsApp/SMS:
+52 1 81 2353 9853

Toll-free telephone lines:
Mexico - 800 265 2532,
United States - 1 866 482 1957
Canada - 1 866 238 2860

Website:
www.alfa.com.mx/buzon.html

Human resources:
direct approach or by email



Note. The ALFA Transparency Mailbox is available in several languages and different channels 24 hours a day, 365 days a year.

All complaints are dealt with through the Transparency Mailbox and then channeled to the corresponding areas according to the type of complaint. In the ALFA Transparency Mailbox, 38 complaints corresponding to Axtel were received during 2022, of which 32 were attended and resolved in their entirety, while six are still in the process of closing.

We did not receive any complaints for cases of corruption, discrimination, conflicts of interest, anti-competitive practices, violations of human rights, privacy or leakage of customer data.

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

During 2022 we did not make contributions or expenses for political campaigns, political organizations, lobbyists or lobbying organizations, nor for trade associations or other tax-exempt groups.

COMPLAINTS RECEIVED IN THE TRANSPARENCY MAILBOX ALFA 2022

TYPE OF COMPLAINT	NUMBER	PERCENTAGE
Employee's inappropriate treatment	10	26%
Asset preservation	1	3%
Cuestomer's inappropriate treatment	4	11%
Policy compliance	3	5%
Personal relationships	1	3%
Conflict of interest	2	5%
Other	18	47%
Total	**38**	**100%**

AXTEL IS A **PUBLIC COMPANY LISTED ON THE MEXICAN STOCK EXCHANGE**, SO WHEN REPORTING FINANCIAL INFORMATION WE MUST ADHERE TO DIFFERENT REGULATIONS, INCLUDING TAX REGULATIONS.

FINANCIAL OUTLOOK

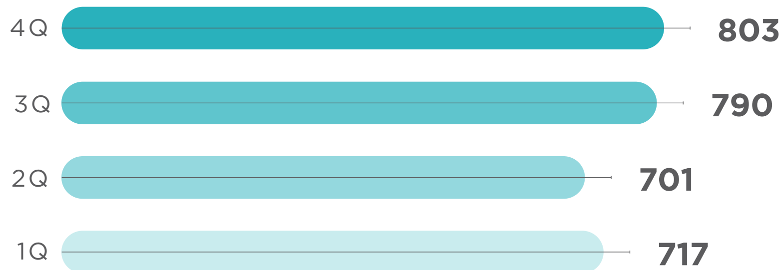
To ensure the long-term permanence of our business, create value for our customers and meet the changing needs of the market with innovative solutions, we manage with integrity and transparency the financial issues that are linked to the environmental, social and governance (ESG) issues.

Axtel´s fiscal policy provides the fundamental guidelines for the planning, operation and fiscal regulation of the organization throughadherence to current tax provisions and the creation of a five-year fiscal plan, which is prepared based on the latest business planor, reviewed annually and approved by the Board of Directors and the Corporate Secretariat.

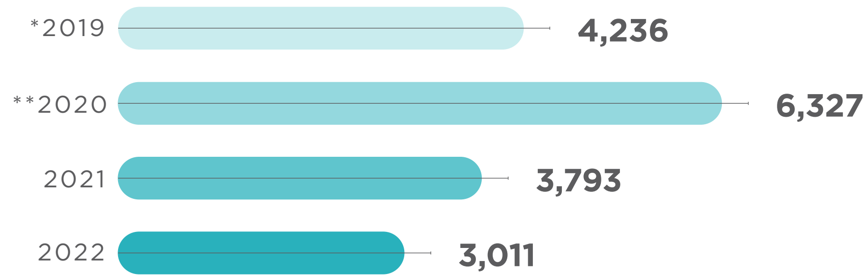
Tax risks are managed by the Board of Directors, through the Audit Committee and with policies, procedures and periodic reviews that allow the prompt implementation of preventive or corrective actions from the point-of-sale tax.

A continuación, presentamos la información financiera más relevante de Axtel para 2022.

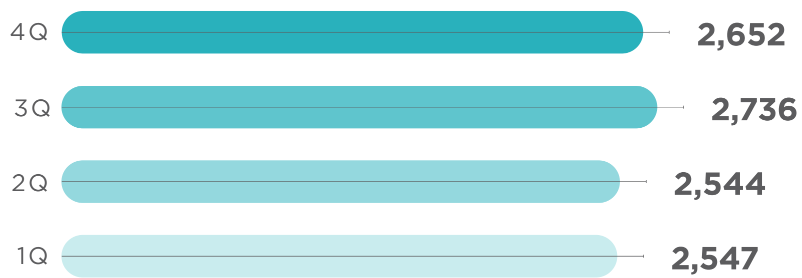
FLOW BY QUARTER 2022 (millions of Mexican pesos)



FLOW BY YEAR (millions of Mexican pesos)



SALES BY QUARTER 2022 (millions of Mexican pesos)



SALES BY YEAR (millions of Mexican pesos)

* For comparative purposes, adjusted from data center business divestiture.
** Includes Ps. 2,021 million pesos in benefit from the divestiture of data centers.

RELEVANT FIGURES (millions of Mexican pesos)

AXTEL AND SUBSIDIARIES	2022	2021	% VAR
RESULTS			
Revenue	10,480	11,389	8%
Operating income	174	292	-41%
(Loss) Net income	(39)	(797)	-95%
Loss per share [1]	(0.002)	(0.040)	-95%
Flow	3,011	3,793	-21%
BALANCE SHEET			
Total Assets	18,351	19,974	-8%
Total Liabilities	15,501	17,105	-9%
Total Stockholders' Equity	2,850	2,870	-1%
Book Value per Share [1]	0.14	0.14	-1%

[1] AxtelCPO equals 7 shares.

RELEVANT FIGURES (millions of Mexican pesos)

YEAR	FLOW	SALES	TOTAL ASSETS
2019[2]	4,236	12,528	24,331
2020[3]	6,327	12,356	23,704
2021	3,793	11,389	19,974
2022	3,011	10,480	18,351

[2] For comparative purposes, adjusted for data center business divestitures
[3] Cash flow includes Ps. 2,021 million of profit from data center divestment.

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

OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

Revenues

For the year 2022, total revenues were Ps. 10,480 million, an 8% decrease compared to 2021, due to 13% and 3% decreases in Axtel Networks and Alestra's revenues, respectively.

The Company's revenues are derived from the following business units:

Infrastructure Business Unit ("Axtel Networks")

Revenues for 2022 totaled Ps. 4,388 million, 13% lower than 2021 due to decreases in dark fiber contracts, along with lower revenues from a wholesale mobile operator customer declared in concurso mercantil.

Revenues coming from Alestra remain unchanged and represented 56% of total Infrastructure Unit's revenues.

Services Business Unit ("Alestra")

Revenues for 2022 were Ps. 8,547 million; a 3% decrease compared to 2021, mainly due to a 25% decline in Government segment revenues, partially mitigated by a 1% increase in Enterprise segment revenues.

Enterprise segment. For 2022, revenues amounted Ps. 7,539 million, a 1% increase compared to 2021, driven by 11% and 4% increases in digital transformation and value-added services, respectively; mitigated by a 3% decrease in standard services.

Standard Services. In 2022, revenues reached Ps. 4,856 million, a 3% decline compared to 2021, mainly due to a 12% decrease in voice services, which continue its declining trend and represented 11% of total enterprise segment revenues in 2022, compared to 12% in 2021.

Value Added. For 2022 revenues reached Ps. 1,037 million, 4% higher than 2021, led by increases in system integration solutions.

Digital Transformation. Revenues totaled Ps. 1,647 million, 11% higher than 2021, mainly due to a 20% growth in cybersecurity and cloud solutions.

Government segment. In 2022 revenues totaled Ps. 1,007 million, a 25% decline compared to 2021, mainly explained by a lower level of recurrent revenues due to the termination of federal entity contracts. However, during the year the strategic vision and commercial team were strengthened, laying the foundations to broaden opportunities and presence in new states and federal entities, expanding opportunities during the year and onwards; which was evidenced in a sequential recovery during 2022, with a 10% revenue increase in the second semester compared to the first one.

Standard Services. For 2022, revenues amounted Ps. 448 million, a 25% decline compared to 2021.

Value Added. In 2022, revenues totaled Ps. 318 million, a 24% decrease.

Digital Transformation. In 2022, revenues reached Ps. 241 million, a 25% decline.

Gross Profit

Gross profit is defined as revenues minus cost of revenues. For year 2022, gross profit totaled Ps. 7,687 million, a 7% decline, in line with revenues. Gross profit margin presented a slight increase from 72% of total revenues in 2021 to 73% in 2022.

Services Unit (Alestra). Gross profit totaled Ps. 3,635 million, remaining unchanged compared to 2021, as the decline in revenues was compensated by higher margins, particularly in the Government segment.

Infrastructure Unit (Axnet). Gross profit was Ps. 4,052 million, a 12% decline compared to 2021, in line with the decline in revenues.

Operating expenses and other income (expenses)

For 2022, operating expenses totaled Ps. 4,783 million, an 8% increase compared to 2021, mainly due to a 16% increase in Axnet's operating expenses.

Services Unit (Alestra). Expenses remained unchanged compared to 2021.

Infrastructure Unit (Axnet). Expenses increased 16% vs 2021, mainly as a result of bad debt provisions recorded during the year that were related to a mobile wholesale operator.

For the year 2022, other income reached Ps. 107 million; compared to Ps. 32 million of other expenses in 2021, mostly related to organizational efficiencies recorded in the fourth quarter of the year.

EBITDA

EBITDA reached Ps. 3,011 million, 21% lower than 2021. In 2022, EBITDA margin reached 29%, lower than 33% in 2021, mainly due to Axnet's higher operating expenses, as well as a lower contribution to total EBITDA by Axnet, whose margin is greater than that of Alestra.

Services Unit (Alestra). 53% of 2022 EBITDA). In 2022, EBITDA totaled Ps. 1,595 million; 4% superior to 2021, due to a higher-level other income.

Infrastructure Unit (Axnet). (47% of 2022 EBITDA). For 2022, EBITDA reached Ps. 1,416 million; 37% lower than 2021, mainly explained by the decline in gross profit and higher operating expenses related to the bad debt provisions.

Operating Income

Operating income for 2022 totaled Ps. 174 million, 41% lower when compared to 2021, mainly due to the decline in EBITDA, partially mitigated by lower depreciation and amortization.

Comprehensive Financial Result

Comprehensive financial cost for 2022 totaled Ps. 261 million, 82% lower than the Ps. 1,441 million cost in 2021. This is mainly explained by a 34% decline in net interest expense, as well as a Ps. 511 million FX gain resulting from an appreciation of the Mexican peso against the US dollar in 2022, compared to a Ps. 278 million FX loss in 2021.

Taxes

During 2022, income tax represented a benefit of Ps. 48 million, compared to a benefit of Ps. 352 million from the previous year. The variation is mainly due to the recognition of the inflation effects on the Company's assets, as well as the changes in tax losses due to the results obtained in the year.

Net Loss

The Company recorded a net loss of Ps. 39 million in the year 2022, compared to a net loss of Ps. 797 million registered in 2021. The variation is mainly explained by the lower comprehensive financial cost in 2022 previously described.

Capital Investments

In 2022, capital Investments in acquisitions of property, plant and equipment and intangibles totaled Ps. 1,291 million, equal to 12% of total revenues; 16% lower compared to Ps. 1,533 million in 2021, equivalent to 13% of total revenues. In 2022, 69% of the investments were allocated to Axnet and 31% to Alestra.

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES

(Subsidiary of Alfa, S. A. B. de C. V.)

Consolidated Financial Statements as of and for the Years Ended December 31, 2022, 2021 and 2020, and Independent Auditors' Report Dated January 31, 2023

2022

Content

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES
(Subsidiary of Alfa, S. A. B. de C. V.)

Independent Auditors' Report and Consolidated Financial Statements as of and for the years ended December 31, 2022, 2021 and 2020

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, 2022, 2021 and 2020, 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 notes to the consolidated financial statements, including a summary of significant 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, 2022, 2021 and 2020, 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 2022 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.

Assessment of Impairment of Long-lived Assets

As described in Note 3 and 12 to the consolidated financial statements, the Company performs impairment tests to the long-lived assets.

We have identified the evaluation 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 $9,044,067 thousand pesos, goodwill of $322,782 thousand pesos, and intangible assets with a definite useful life of $840,958 thousand pesos. This requires a high level of judgement, an important increase in the level of audit effort and the incorporation of our expert valuation specialists.

We performed 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 17 and 29.

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 override 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 for 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 2022 and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Efraín Omar Fernández Mendoza
Monterrey, Nuevo León México
January 31, 2023

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES
(Subsidiaria de Alfa, S. A. B. de C. V.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022, 2021 AND 2020
Thousands of Mexican pesos

Assets	Note	2022	2021	2020
Current assets:				
Cash and cash equivalents	6	$ 1,542,831	$ 1,613,697	$ 3,123,955
Restricted cash	7	-	-	261,827
Trade and other accounts receivable, net	8	1,928,725	2,492,754	2,901,248
Inventories	9	169,838	85,442	78,720
Derivative financial instruments	4	4,696	-	-
Prepayments	3.j	739,229	634,792	713,711
Total current assets		4,385,319	4,826,685	7,079,461
Non-current assets:				
Property, plant and equipment, net	10	9,044,067	10,132,948	11,577,650
Right of use asset, net	11	364,711	498,522	592,871
Goodwill and intangible assets, net	12	1,163,740	1,300,204	1,260,696
Deferred income taxes	20	2,957,955	2,856,110	2,540,543
Other non-current assets	13	435,605	359,990	652,624
Total non-current assets		13,966,078	15,147,774	16,624,384
Total assets		$ 18,351,397	$ 19,974,459	$ 23,703,845
Liabilities and Stockholders' Equity				
Current liabilities:				
Debt	17	$ 375,506	$ 252,072	$ 1,609,301
Lease liability	18	220,968	264,264	294,749
Trade and other accounts payable	14	2,582,573	2,844,167	3,851,293
Provisions	15	25,316	29,484	18,417
Deferred income	16	45,208	86,052	116,054
Derivative financial instruments	4	-	33,575	154,077
Total current liabilities		3,249,571	3,509,614	6,043,891
Non-current liabilities:				
Debt	17	11,184,614	12,607,365	13,034,985
Lease liability	18	99,990	219,990	332,275
Employee benefits	19	891,255	766,500	742,847
Derivative financial instruments	4	-	-	53,120
Deferred income taxes	20	75,560	1,134	1,454
Total non-current liabilities		12,251,419	13,594,989	14,164,681
Total liabilities		15,500,990	17,104,603	20,208,572
Stockholders' equity:				
Capital stock	21	454,621	464,368	464,368
Retained earnings		2,416,317	2,445,384	3,252,002
Other comprehensive loss		(20,531)	(39,896)	(221,097)
Total controlling interest		2,850,407	2,869,856	3,495,273
Non-controlling interest		-	-	-
Total stockholders' equity		2,850,407	2,869,856	3,495,273
Total liabilities and stockholders' equity		$ 18,351,397	$ 19,974,459	$ 23,703,845

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

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES
(Subsidiaria de Alfa, S. A. B. de C. V.)

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
Thousands of Mexican pesos

	Note	2022	2021	2020
Revenues	22	$ 10,479,596	$ 11,389,494	$ 12,355,981
Cost of sales	23	(5,164,025)	(5,785,728)	(6,171,287)
Gross profit		5,315,571	5,603,766	6,184,694
Administration and selling expenses	23	(5,218,193)	(4,958,159)	(5,412,063)
Other income (expenses), net	24	76,494	(353,359)	1,999,869
Operating income		173,872	292,248	2,772,500
Financial income	25	286,179	24,909	38,878
Financial expenses	25	(1,058,354)	(1,188,709)	(1,378,015)
Exchange fluctuation gain (loss), net	25	511,257	(277,595)	(385,284)
Gain on changes in fair value of financial instruments		-	-	105,809
Financial result, net		(260,918)	(1,441,395)	(1,618,612)
(Loss) income before income taxes		(87,046)	(1,149,147)	1,153,888
Income taxes benefit (expense)	20	48,232	352,405	(792,633)
Net consolidated (loss) income		$ (38,814)	$ (796,742)	$ 361,255
(Loss) income attributable to:				
Controlling interest		(38,814)	(796,742)	361,255
Non-controlling interest		-	-	-
		$ (38,814)	$ (796,742)	$ 361,255
(Loss) income per basic and diluted share		$ (0.002)	$ (0.040)	$ 0.018
Weighted average common outstanding shares (thousands of shares)		19,824,236	19,829,510	19,987,579

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

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES

(Subsidiaria de Alfa, S. A. B. de C. V.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

AS OF DECEMBER 31, 2022, 2021 AND 2020

Thousands of Mexican pesos

	Note	2022	2021	2020
Net consolidated (loss) income		$ (38,814)	$ (796,742)	$ 361,255
Other comprehensive (loss) income for the year:				
Items that will be reclassified to the consolidated statement of income:				
Effect of currency translation	20	(1,446)	732	1,152
Fair value of derivative financial instruments, net of taxes		24,284	120,279	(43,679)
Items that will not be reclassified to the consolidated statement of income:				
Remeasurements of employee benefits, net of taxes	20	(3,473)	60,190	(20,752)
Total other comprehensive income (loss) for the year		19,365	181,201	(63,279)
Total comprehensive (loss) income of the year		$ (19,449)	$ (615,541)	$ 297,976
Attributable to:				
Controlling interest		$ (19,449)	$ (615,541)	$ 297,976
Non-controlling interest		-	-	-
(Comprehensive (loss) income of the year		$ (19,449)	$ (615,541)	$ 297,976

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

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES

(Subsidiary of Alfa, S. A. B. de C. V.)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2022, 2021 and 2020

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, 2020	$ 464,368	$ 3,104,427	$ (157,818)	$ 3,410,977	$ -	$ 3,410,977
Transactions with stockholders:						
Repurchase of shares	-	(213,680)	-	(213,680)	-	(213,680)
Total transactions with stockholders	-	(213,680)	-	(213,680)	-	(213,680)
Net consolidated income	-	361,255	-	361,255	-	361,255
Total other comprehensive loss for the year	-	-	(63,279)	(63,279)	-	(63,279)
Comprehensive income	-	361,255	(63,279)	297,976	-	297,976
Balances as of December 31, 2020	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 loss 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

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

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES

(Subsidiary of Alfa, S. A. B. de C. V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022, 2021 and 2020

Thousands of Mexican pesos

	2022	2021	2020
Cash flows from operating activities			
(Loss) income before income taxes	$ (87,046)	$ (1,149,147)	$ 1,153,888
Depreciation and amortization	2,806,263	3,179,364	3,384,219
Exchange fluctuation (gain) loss, net	(511,257)	277,595	385,284
Allowance for doubtful accounts	346,861	(2,600)	48,891
(Gain) loss from sale of property, plant and equipment	(25,449)	1,327	(2,022,963)
Interest income	(286,179)	(24,909)	(38,878)
Interest expense	1,058,354	1,188,709	1,378,015
Current PTU	10,545	5,426	6,891
Impairment of goodwill	-	-	96,754
Impairment of investments	22,844	290,114	-
Others	6,318	36,114	72,539
Change in unrealized fair value and settlement of financial instruments	-	-	(105,809)
Changes in working capital:			
Trade and other accounts receivable, net	145,531	505,562	420,656
Inventories	(81,592)	20,049	85,859
Trade accounts payable and other accounts payable	(268,569)	(677,132)	(528,915)
Employee benefits	119,794	109,638	17,703
Paid PTU	(5,411)	(5,973)	(11,847)
Deferred income	(40,844)	(30,002)	(37,175)
Subtotal	3,210,163	3,724,135	4,305,112
Income taxes paid	(2,312)	(432,580)	(97,274)
Net cash flows generated by operating activities	3,207,851	3,291,555	4,207,838
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(1,306,677)	(1,290,512)	(1,591,980)
Disposal of property, plant and equipment	40,209	-	3,147,703
Acquisition of intangible assets	(24,784)	(242,000)	(553,826)
Interest received	83,945	24,909	38,877
Restricted cash	-	258,891	(247,104)
Investment in shares of Altán	-	-	(64,568)
Notes receivable	-	(19,579)	-
Net cash flows (used in) generated by investing activities	(1,207,307)	(1,268,291)	729,102
Cash flows from financing activities			
Proceeds of current and non-current debt	-	-	1,485,012
Payments of current and non-current debt	(776,735)	(2,174,476)	(1,411,749)
Lease payments	(276,453)	(332,412)	(545,855)
Payment of account payable to holding company	-	-	(713,972)
Repurchase of shares	-	(9,876)	(213,680)
Interest paid and other financial expenses	(987,103)	(1,084,878)	(1,200,297)
Net cash flows used in financing activities	(2,040,291)	(3,601,642)	(2,600,541)
Net (decrease) increase of cash and cash equivalents	(39,747)	(1,578,378)	2,336,399
Effect of changes in exchange rates	(31,119)	68,120	(70,186)
Cash and cash equivalents at the beginning of the year	1,613,697	3,123,955	857,742
Cash and cash equivalents at the end of the year	$ 1,542,831	$ 1,613,697	$ 3,123,955
Non-cash investing activities	$ 36,769	$ -	$ -

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

AXTEL, S. A. B. DE C. V. AND SUBSIDIARIES
(Subsidiary of Alfa, S. A. B. de C. V.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of and for the years December 31, 2022, 2021 and 2020
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 subsidiary of Alfa, S. A. B. de C. V. ("Alfa"), its holding, which exercises control and holds 53.9% of the shares representing the Company's capital stock, through the Trust Administration Agreement No. 2673 entered into with Banco Invex, S. A. On July 12, 2022, the General Extraordinary Shareholders' Meeting of Alfa approved the partial spin-off of their total shareholding in the Company, as well as other assets and equity, to Controladora Axtel, S.A.B. de C.V. ("Controladora Axtel"), the spinnee company, which will be listed on the Mexican Stock Exchange. See Note 2.a.

The Company is an Information and Communication Technology company that serves the enterprise, government and wholesale markets, through its business units Alestra (services) and Axtel Networks (infrastructure). 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 infrastructure 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. Concessions are required to provide these services and conducting the Company's business activities. See Note 12.

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,

2. Relevant events

2022

a. 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"), which will be listed on the Mexican Stock Exchange.

The process is 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, and as of the date of issuance of the financial statements, has not been completed.

b. 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.

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

The Company has 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 24). As of December 31, 2022, 2021 and 2020, the net balance receivable from Altán amounts to $31,262, $304,429, and$131,355, respectively, before considering value added tax.

d. Repurchase of Senior Notes

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, 2022, the balance of the Senior Notes due in 2024 is $7,787,641 (US$402,223).

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

2021

e. Effects of the 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.

As of the date of issuance, the Company continues 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.

f. 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.

g. 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.

h. 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. 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%.

i. 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.

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

The Company has 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 24). As of December 31, 2021, 2020 and 2019, the net balance receivable from Altán amounts $304,429, $131,355 and $106,392, respectively, before considering value added tax ("VAT"). Additionally, the Company has a note receivable from Altán for $20,180.

2020

k. Impacts due to COVID-19

As a result of the outbreak of the infectious disease virus SARS-COV-2 ("COVID-19") and its recent global expansion to a large number of countries, the World Health Organization classified the viral outbreak as a pandemic on March 11, 2020.

Therefore, in 2020, actions were taken under three main priorities, the safety and well-being of all employees, the needs and support for customers, as well as the continuity of the business and its operations.

The Company's operations were not interrupted as a result of the COVID-19 pandemic and it led to increased demand for products that allowed customers to sustain remote and virtual interactions, such as connectivity, network access, cybersecurity perimeters and cloud solutions, among others.

The impacts of the COVID-19 pandemic were mainly reflected in the income of the business portfolio, where there was an increase in income of $23 million pesos related to the growth of bandwidth services. Additionally, the Company had a decrease of $40 million pesos and made investments on working capital through the granting of a longer payment term to clients, whose book value is $63 million pesos.

l. Closing of agreement with Equinix

On January 8, 2020, the Company informed the definitive closing of the strategic agreement with Equinix to strengthen its offering of IT and cloud solutions. As announced on October 3, 2019, Equinix acquired the operations and assets of three data centers from Axtel; two located in Querétaro and one in the metropolitan area of Monterrey. The valuation of this transaction was US $175 million, which was settled in cash, except for US$13 million related to an escrow, which were released on January 8, 2021. (See Note 7).

Excluding operating expenses and the balance in custody, resources of approximately US $154 million will be used to strengthen the financial structure of the Company. The Company did not have an impact on cash flow due to tax consequences, since it applied tax losses that were pending amortization for $2,644,367.

m. Debt prepayment.

On February 14, 2020, the Company prepaid the total of the syndicated loan maintained with HSBC as the leader of the participating financial institutions in the amount of $1,320,000 (US$67 million). Derived from this prepayment, the Company immediately recognized in the consolidated statement of income, the costs of obtaining debt that were pending amortization at that date for $8,130. Additionally, during 2020, the Company made payments to Alfa, S. A. B. de C. V. for $703,348 and $10,624 for principal and interest, respectively.

Summary of significant accounting policies

The following are the most significant 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, S. A. B. de C. V. and subsidiaries 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 changes 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, 2022. The conclusions related to their adoption are described as follows:

Amendments to IFRS 3, Business Combination – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The Company evaluated the amendments to IFRS 3 and determined that the implementation of these amendments had no effects on its financial information.

Amendments to IAS 16, Property, plant and equipment - Proceeds before intended use

The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use, for example, proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss for the period. The Company measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. The Company evaluated the amendments to IAS 16 and determined that the implementation of these amendments had no effects on its financial information, because it currently does not have product sales before property, plant, and equipment are ready for use.

Amendments to IAS 37– Onerous Contracts - Cost of fulfilling a contract

The amendments specify that the "cost of fulfilling" a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Company evaluated the amendments to IAS 37 and determined that the implementation of these amendments had no effect on its financial information, since it does not have onerous contracts.

Annual Improvements to IFRS Accounting Standards 2018–2021 Cycle

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2021 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards, which did not have an impact on the financial information, as they were not of significant applicability:

- Amendments to IFRS 1, First time adoption of International Financial Reporting Standards
- Amendments to IFRS 9, Financial instruments
- Amendments to IFRS 16, Leases
- Amendments to IAS 41, Agriculture

ii. New, revised and issued IFRS, but not yet effective

As of the authorization date of these consolidated financial statements, the Company has not applied the following new and revised IFRS, that have been issued but not yet effective.

Amendments to IAS 12, Income Taxes - 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 on initial recognition.

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.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all the deductible and taxable temporary differences associated with:
    - o Right-of-use assets and lease liabilities
    - o Decommissioning, restoration and similar liabilities provisions and the corresponding amounts recognized as part of the cost of the related asset.

The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on January 1, 2023, with earlier application permitted.

The Company evaluated the amendments to IAS 12, and determined that the implementation of these amendments had no effect on its financial information.

Additionally, the Company has not applied the following new and revised IFRS that have been issued, but are not yet effective, from which it's not expected to have a material impact on its consolidated financial statements in future periods, considering that they are not of significant applicability:

- Amendments to IFRS 17, Insurance contracts (1)
- Amendments to IAS 1 and Practice Statement 2 - Disclosure of accounting policies (1)
- Amendments to IAS 8 - Definition of accounting estimates (1)
- Amendments to IFRS 16 - Lease liability in a sale and leaseback (2)

- Amendments to IAS 1 - Classifying liabilities as current or non-current [2]
- Amendments to IAS 1 - Classification of debt with covenants [2]
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture [3]

(1) Effective for annual reporting periods beginning on January 1, 2023
(2) Effective for annual reporting periods beginning on January 1, 2024
(3) Effective date of the amendments has yet to be set by the IASB

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, 2022, 2021 and 2020, the main subsidiary companies of Axtel were as follows:

	Country	Stockholding interest 2022	2021	2020	Functional currency
Axtel, S. A. B. de C. V. (Holding company) (2)	Mexico				Mexican peso
Servicios Axtel, S. A. de C.V. (3)	Mexico	-	-	100	Mexican peso
Alestra Innovación Digital, S. de R. L. de C. V. (2)	Mexico	100	100	100	Mexican peso
Axes Data, S. A. de C. V.(3)	Mexico	-	-	100	Mexican peso
Contacto IP, S. A. de C. V. (3)	Mexico	-	-	100	Mexican peso
Instalaciones y Contrataciones, S. A. de C. V. (3)	Mexico	-	-	100	Mexican peso
Ingeniería de Soluciones Alestra, S. A. de C. V. (3)	Mexico	-	-	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)	Mexico	100	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
La Nave del Recuerdo, S. A. de C. V. (5)	Mexico	-	-	100	Mexican peso
Contacto IP FTTH de México, S. A. de C. V. (5)	Mexico	-	-	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
Servicios Axtel Networks, S. A. de C. V. (5)	Mexico	-	-	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. (6)	Mexico	100	-	-	Mexican peso

(1) Leasing of telecommunications and infrastructure equipment.
(2) Provider of telecommunication services.
(3) At the General Extraordinary Stockholders' Meeting held on December 1, 2021, the stockholders agreed to merge Servicios Axtel, S. A. de C. V., Axes Data, S. A. de C.V., Contacto IP, S. A. de C.V., Instalaciones y Contrataciones, S.A de C. V., and Ingeniería de Soluciones Alestra, S. A. de C. V. (as merged companies) with Alestra Procesamiento de Pagos S.A. de C. V. (as merging company); this merger has no impact on the Company's operations at the consolidated leve..
(4) Training and development services
(5) Companies liquidated in 2021.
(6) Real estate administration. Acquired in March 2022.

As of December 31, 2022, 2021 and 2020, 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.

iv. Associates

Associates are all entities over which the Company has significant influence but not control. Generally, an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts previously recognized in comprehensive (loss) income are reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the consolidated statement of income and its share in other comprehensive (loss) income of associates is recognized as other comprehensive (loss) income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes it in "Equity in income of associates recognized using the equity method" in the consolidated statement of income.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company´s interest in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the transferred asset is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been amended. When the Company ceases to have significant influence over an associate, any difference between the fair value of the remaining investment, including any consideration received from the partial disposal of the investment, and the book value of the investment is recognized in the consolidated statement of income.

As of December 31, 2022, 2021 and 2020, the Company has no investments in associates.

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 IAS 21, Effects of Changes in Foreign Currency Exchange Rates, 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	2022	2021	2020	2022	2021	2020
United States	U.S. dollar	19.36	20.58	19.95	20.06	20.38	21.50

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. Restricted cash

Cash whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the consolidated statement of financial position and are excluded from cash and cash equivalents in the consolidated statement of cash flows.

g. 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 other comprehensive (loss) income

Financial assets at fair value through other comprehensive (loss) income are those whose business model is based in obtaining contractual cash flows and sell the financial assets; and 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. As of December 31, 2022, 2021 and 2020, the Company does not have financial assets to be measured at fair value through other comprehensive (loss) income.

iii. 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.

Despite the above classifications, the Company can make the following irrevocable elections in the initial recognition of a financial asset:

a. Disclose the subsequent changes in the fair value of an equity instrument in other comprehensive (loss) income, only if such investment (in which no significant influence, joint control or control is maintained) is not held for trading purposes, that is, a contingent consideration recognized as a result of a business combination.

b. Assign a debt instrument to be measured at fair value in profit or loss, if as a result it eliminates or significantly reduces an accounting mismatch that would arise from the measurement of assets or liabilities or the recognition of profits and losses on them in different bases.

As of December 31, 2022, 2021 and 2020, the Company has not made any of the irrevocable designations described above.

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 infrastructure 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.

h. 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.

Fair value hedges

Changes in the fair value of derivative financial instruments are recorded in the consolidated statements of income. The change in fair value hedges and the change in the primary position attributable to the hedged risk are recorded in the consolidated statement of income in the same line item as the hedged position. As of December 31, 2022, 2021 and 2020, the Company has no derivative financial instruments classified as fair value hedges..

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.

i. 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.

j. 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.

k. Property, plant and equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and any accrued impairment losses. Costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the consolidated statement of income during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

Depreciation is calculated using the straight-line method, considering separately each of the asset's components, except for land, which is not subject to depreciation. The estimated useful lives of the assets classes indicated below:

	Years
Buildings	40 - 60
Computers	3 - 5
Vehicles	4
Office equipment	10
Telecommunications network	3 a 28

Spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction relates to qualifying assets, that require a substantial period of time to be ready for their use or sale, are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests whenever events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount in the consolidated statement of income in other expenses, net. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

Residual value, useful lives and depreciation method of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the consolidated statement of income.

l. 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.

m. Intangible assets

Intangible assets are recognized when they meet the following conditions: they are identifiable, they provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

i. Finite useful life

These assets are recognized at cost less accumulated amortization and accrued impairment losses. They are amortized on a straight-line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

	Years
Software and licenses	3 a 7
Concessions	20 a 30
Capacity of communications network	13
Other	4
To do and not to do obligations	3
Trademarks	5
Relationships with customers	15

a. Trademarks

Trademarks acquired in a separate transaction are recorded at acquisition cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks are amortized according to their useful life based on the Company’s evaluation; if in this evaluation the useful life proves to be indefinite, then trademarks are not amortized but subject to annual impairment tests.

b. Licenses

Licenses acquired in a separate transaction are recorded at acquisition cost. Licenses acquired in a business combination are recognized at fair value at acquisition date.

Licenses that have a definite useful life are presented at cost less accumulated amortization. Amortization is recorded on a straight-line basis over its estimated useful life.

The acquisition of software licenses is capitalized based on the costs incurred to acquire and use the specific software.

ii. Indefinite useful life

These intangible assets are not amortized and are subject to annual impairment assessment. As of December 31, 2022, 2021 and 2020, intangible assets with an indefinite life corresponds to goodwill.

n. 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.

o. 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.

p. 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.

q. 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 2022, 2021, and 2020, 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. Elegibility 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, 2022, 2021 and 2020, the Company recognized a termination expense in the consolidated statement of income for $24,600, $39,407 and $171,893, 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.

r. Provisions

Liability provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the value of money over time and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When there are similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be remote.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

s. Share-based payments

The Company has compensation plans that are based on the market value of shares of Alfa and 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. Alfa'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 Alfa'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.

t. Treasury shares

The Company's stockholders periodically authorize a maximum amount for the acquisition of the Company's own shares. 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.

u. Capital stock

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.

v. Comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) plus the annual effects of other reserves, net of taxes, which include the translation of foreign subsidiaries, actuarial remeasurements, the effects of the change in the fair value of derivative financial instruments which are designated to cash flow hedges, and other items specifically required to be reflected in stockholders' equity, and which do not constitute capital contributions, reductions and distributions.

w. Segment reporting

Segment information is presented consistently with the internal reporting provided to the Chief Executive Officer, who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

x. 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.

y. Advances from customers

Customer prepayments for cable, interconnection, data transmission, internet and local services are billed monthly and applied to profit or loss as revenue for the period as the services are provided. The Company's deferred income are recorded based on the commitment to provide a service to the customers, and the service is recognized in profit or loss as it is provided.

z. 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.

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.

Alfa (holding company) has a Risk Management Committee (RMC), comprised of the Board's Chairman, the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") of Alfa and the Risk Management Officer ("RMO") of Alfa acting as technical secretary. The RMC reviews derivative transactions proposed by the subsidiaries of Alfa, including 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 both the Company and Alfa's CEO, in accordance to the following schedule of authorizations:

	Maximum PossiblePosible Loss US$1 million	
	Individual transaction	Annual cumulative transactions
Chief Executive Officer of Alfa	1	5
Risk Management Committee of Alfa	30	100
Finance Committee	100	300
Board of Directors of Alfa	>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 5.44, 5.96 and 5.78 times as of December 31, 2022, 2021 and 2020, 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,				
		2022		2021		2020
Cash and cash equivalents	$	1,542,831	$	1,613,697	$	3,123,955
Restricted cash		-		-		261,827
Financial assets at amortized cost:		1,854,465		2,420,149		2,844,473
Trade and other accounts receivable		4,696		-		-
Financial assets measured at fair value through profit or loss:	$	3,401,992	$	4,033,846	$	6,230,255
Derivative financial instruments						
Financial liabilities at amortized cost:						
Current debt	$	375,506		252,072		1,609,301
Lease liability		320,958		484,254		627,024
Trade payables, related parties, and sundry creditors		1,844,234		2,138,783		2,376,195
Non-current debt		11,184,614		12,607,365		13,034,985
Financial liabilities measured at fair value through profit or loss:						
Derivative financial instruments (1)		-		33,575		207,197
	$	13,725,312	$	15,516,049	$	17,854,702

(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, 2022, 2021 and 2020.

The carrying amount and estimated fair value of financial assets and liabilities valued at amortized cost is presented below:

	As of December 31, 2022		As of December 31, 2021		As of December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:						
Debt (*)	$ 11,508,447	$ 10,226,268	$ 12,842,055	$ 13,152,634	$ 14,655,875	$ 14,999,100

(*)The carrying amount of debt, for purposes of calculating its fair value, is presented gross of interest payable and issuance costs.

Market risk

(i). Exchange rate risk

The Company is exposed to the exchange risk arising from exposure of its currency, mainly with respect to the U.S. dollar. Axtel's indebtedness and part of its accounts payable are stated in U.S. dollars, which means that it is exposed to the risk of variations in the exchange rate.

The Company's interest expense on the dollar debt, stated in Mexican pesos in the Axtel consolidated financial statements, varies with the movements in the exchange rate. Depreciation of the peso gives rise to increases in the interest expense recorded in pesos.

The Company records exchange gains or losses when the Mexican peso appreciates or depreciates against the U.S. dollar. Due to the fact that the Company's monetary liabilities denominated in dollars have exceeded (and are expected to continue exceeding) Axtel's monetary assets stated in that same currency, depreciation of the Mexican peso to the U.S. dollar will give rise to exchange losses.

The Company has the following assets and liabilities in foreign currency in relation to the functional currency of its subsidiaries, translated to thousands of Mexican pesos at the closing exchange rate as of December 31, 2022, 2021 and 2020.

	USD (converted to thousands of MXP)		
	2022	2021	2020
Financial assets	$ 1,160,810	$ 714,540	$ 3,075,425
Financial liabilities	(9,519,008)	(10,971,150)	(12,217,941)
Foreign exchange monetary position	$ (8,358,198)	$ (10,256,610)	$ (9,142,516)

During 2022, 2021 and 2020, 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 $835,820 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, 2022, the Company does not have interest rate swaps due to their natural maturity. As of December 31, 2021 and 2020, 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		2020	
Currency		MXN		MXN
Notional	$	2,880,000	$	3,380,000
Coupon		TIIE28		TIIE28
Coupon		8.355%		8.355%
Maturity		December 15, 2022		December 15, 2022
Swap book value	$	(33,575)	$	(207,198)
Change in the fair value of the swap to measure ineffectiveness	$	(33,520)	$	(205,774)
Reclassification from OCI to income		3,989		5,784
Balance recognized in OCI net of reclassifications	$	29,586	$	201,414
Ineffectiveness recognized in income		-		-
Change in the fair value of the hedged item to measure ineffectiveness	$	40,712	$	210,604
Change in the fair value DFI vs comparative year	$	173,623	$	(70,021)

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 and 2020, 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% and 96.7%, in 2021 and 2020, respectively, 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% and 73%, in 2021 and 2020, respectively. 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, 2022, the Company maintains forwards (USD/MXN) to cover capital expenditures (Capex) that are made in a currency other than its functional currency. Likewise, 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 Characteristics		**Capex USD/MXN 2022**		**Bond Interest USD/MXN 2022**
Currency		USD		USD
Notional (thousands)	$	77,400	$	12,900
Strike (average)		19.8950		19.7180
Maturity		Hasta 24-ago-2023		11-may-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, 2022, 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 and 98% for interest coverage, respectively.

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 100% and 100% for the Capex and 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, 2022, there was no ineffectiveness recognized in results.

For the year ended December 31, 2020, a gain of $63,990 was recognized in the consolidated statement of income for the settlement of an accounting hedge forward used to hedge the exposure to the USD/MXN exchange rate variability.

(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, 2022, 69.6% of Axtel's total debt generates fixed interest rates while the remaining 30.4% 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, 2022, 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 $35,989 and $(35,989), 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, 2022, 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%, 18% and 7% of the Company's total accounts receivable as of December 31, 2022, 2021 and 2020, respectively. Additionally, revenues associated to Company A for the years ended December 31, 2022, 2021 and 2020 was 3%, 4% and 3%, respectively.

Company B accounts for 2%, 0% and 0% of the Company's total accounts receivable as of December 31, 2022, 2021 and 2020, respectively. Additionally, revenues related to Company B for the years ended December 31, 2022, 2021 and 2020 was 0.3%, 0.4% and 0.3%, respectively.

As of December 31, 2022, 2021 and 2020, the allowance for impairment totaled $614,108, $304,637, and $373,335 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, 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
December 31, 2020			
Current debt	$ 1,609,301	$ -	$ -
Trade payable, related parties and creditors	2,376,195	-	-
Derivative financial instruments	154,077	53,120	-
Non-current debt	-	10,858,023	2,294,360
Lease liability	294,749	325,276	6,999
Non-accrued interest payable	867,657	2,700,810	309,430

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 17.

As of December 31, 2022, the Company has short-term uncommitted, unused lines of credit for approximately $496,808 (US$26 million). Additionally, as of December 31, 2022, Axtel has committed credit lines for US$71 million, of which $572,761 (US$30 million) has been used and $795,315 (US$41 million) 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, 2022, 2021 and 2020:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities):				
Interest rate swap	$ -	$ 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)
	As of December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets (liabilities):				
Interest rate swap	$ -	$ (207,197)	$ -	$ (207,197)
	$ -	$ (207,197)	$ -	$ (207,197)

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.

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 12). 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 20). 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

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.

Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of financial position consist of the following:

	2022	2021	2020
Cash on hand and in banks	$ 1,152,126	$ 1,305,022	$ 1,747,864
Short-term investments	390,705	308,675	1,376,091
Total cash and cash equivalents	$ 1,542,831	$ 1,613,697	$ 3,123,955

Restricted cash

As of December 31, 2022, 2021 and 2020, the balance of restricted cash was $0, $0, and $261,827 (US$13 million), respectively.

The balance as of December 31, 2020 is related to an escrow originated from the sale transaction of the three data centers located in Queretaro and Monterrey to Equinix. This balance was released on January 8, 2021.

Trade and other accounts receivable, net

Trade and other accounts receivable are comprised as follows:

	2022	2021	2020
Current:			
Trade accounts receivable	$ 1,808,514	$ 2,000,084	$ 2,168,349
Allowance for impairment of accounts receivable [1]	(614,108)	(304,637)	(373,335)
Trade accounts receivable, net	1,194,406	1,695,447	1,795,014
Recoverable taxes	74,260	72,605	56,775
Notes and other accounts receivable	644,901	689,442	1,041,257
Related parties	15,158	35,260	8,202
	$ 1,928,725	$ 2,492,754	$ 2,901,248

[1] Movements of the allowance for impairment of accounts receivables are as follows:

	2022	2021	2020
Initial balance	$ 304,637	$ 373,335	$ 1,208,739
Write-off of doubtful accounts[2]	346,789	(42,555)	48,891
Allowance for doubtful accounts for the year	(37,318)	(26,143)	(884,295)
Ending balance	$ 614,108	$ 304,637	$ 373,335

[2] The net variance in the allowance for doubtful accounts in 2022, 2021 and 2020 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, 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%

	As of December 31, 2020	
Clients or group of clients	Probability of default range	Severity of loss
Carriers	10.0% - 100.0%	87.50%
Business	7.5% - 100.0%	87.50%
Government	10.0% - 100.0%	70.00%

9. Inventories

As of December 31, 2022, 2021 and 2020, inventories of $169,838, $85,442, and $78,720, respectively, were composed by materials and consumables.

The cost of inventories recognized as an expense and included in the cost of sales amounted to $136,060, $139,778, and $142,418 for 2022, 2021 and 2020, respectively. As of December 31, 2022, 2021 and 2020, there were no inventories pledged as collateral.

10. 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, 2020									
Net opening balance	$ 272,450	$ 11,110,075	$ 72,584	$ 168,514	$ 4,974	$ 80,718	$ 461,349	$ 793,327	$ 12,963,991
Translation effect	-	1,408	-	-	-	-	-	-	1,408
Additions	-	14,943	32	16,492	-	-	-	1,473,919	1,505,386
Transfers	(26,703)	1,315,594	7,302	10,019	-	24,033	-	(1,332,292)	(2,047)
Disposals, net	-	(117,272)	(151)	(183)	(70)	-	-	(33,760)	(151,436)
Depreciation charge recognized in the year	(12,853)	(2,599,835)	(14,753)	(73,169)	(4,092)	(34,950)	-	-	(2,739,652)
Ending balance as of December 31, 2020	$ 232,894	$ 9,724,913	$ 65,014	$ 121,673	$ 812	$ 69,801	$ 461,349	$ 901,194	$ 11,577,650
As of December 31, 2020									
Cost	$ 597,111	$ 44,180,820	$ 415,120	$ 3,535,059	$ 112,678	$ 587,269	$ 461,349	$ 901,194	$ 50,790,600
Accumulated depreciation	(364,217)	(34,455,907)	(350,106)	(3,413,386)	(111,866)	(517,468)	-	-	(39,212,950)
Net carrying amount as of December 31, 2020	232,894	9,724,913	65,014	121,673	812	69,801	461,349	901,194	11,577,650
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

Of the total depreciation expense, $2,324,046, $2,596,292 and $2,667,981 were charged to cost of sales, $61,880, $60,513 and $71,670 to selling and administrative expenses for 2022, 2021 and 2020, 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, 2022, 2021 and 2020, the Company capitalized $11,086, $18,079 and $12,776, respectively, of borrowing costs related to qualifying assets of $368,205, $422,817 and $583,175, respectively. These amounts were capitalized based on an interest rate of 7.10%, 7.11% and 7.59%, respectively.

11. 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 6 years.

a) The right of use recognized in the consolidated statement of financial position as of December 31, 2022, 2021 and 2020, 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, 2020	366,510	154,500	549	28,668	42,644	592,871
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
Accumulated depreciation 2020	(218,706)	(32,355)	(79)	(27,248)	(9,586)	(287,974)
Accumulated depreciation 2020	(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)

Additions to the net book value of the right of use asset as of December 31, 2022, 2021 and 2020 amounted to $82,973, $240,512 and $239,952, respectively.

b) Expenses recognized in the consolidated statement of income for the year ended December 31, 2022, 2021 and 2020, are as follows.

	2022	2021	2020
Rent expenses from short-term leases	$ 948,345	$ 942,627	$ 893,842

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.

12. 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, 2020	$ 28,741	$ 11,332	$ 111,411	$ 10,361	$ 308,504	$ 162,373	$ 419,536	$ 1,052,258
Additions	422,848	-	-	-	178,750	69,710	-	671,308
Disposals	(2,341)	-	-	-	(9,229)	12	-	(11,558)
Transfers	-	-	-	-	-	2,035	-	2,035
Impairment recognized in the year	-	-	-	-	-	-	(96,754)	(96,754)
Amortization charges recognized in the year	(11,757)	(7,999)	(16,398)	(7,314)	(207,075)	(106,050)	-	(356,593)
Ending balance as of December 31, 2020	$ 437,491	$ 3,333	$ 95,013	$ 3,047	$ 270,950	$ 128,080	$ 322,782	$ 1,260,696
Cost	$ 468,838	$ 79,573	$ 190,739	$ 36,569	$ 1,602,164	$ 586,695	$ 322,782	$ 3,287,360
Accumulated amortization	(31,347)	(76,240)	(95,726)	(33,522)	(1,331,214)	(458,615)	-	(2,026,664)
Ending balance as of December 31, 2020	$ 437,491	$ 3,333	$ 95,013	$ 3,047	$ 270,950	$ 128,080	$ 322,782	$ 1,260,696
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

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 $11,757 were charged to cost of sales and $181,993, $265,423 and $344,836 to selling and administrative expenses in 2022, 2021 and 2020, 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 Alestra Innovación Digital, S de R.L 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. (1 concession), 10 GHz. (15 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 unique concession to provide mobile services in both the MVNE and MVNO modalities. The Company has plans to use the unique Alestra Innovación Digital concession to provide services to the government market.

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 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 Alestra Digital Innovation [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, 2022, 2021 and 2020:

	2022	2021	2020
Discount rate, after tax	12.1%	11.8%	10.2%
Long-term growth rate	3.0%	5.3%	3.2%

13. Other non-current assets

	2022	2021	2020
Investments of shares	$ 825	$ 1,702	$ 291,816
Long-term notes receivable	-	20,181	-
Prepaid connection leases	10,815	3,961	10,468
Guarantee deposits	49,665	51,113	52,810
Prepaid maintenance	274,276	188,180	235,289
Other	100,024	94,853	62,241
Total other non-current assets	$ 435,605	$ 359,990	$ 652,624

14. Trade and other accounts payable

Trade and other accounts payable are analyzed as follows:

	2022	2021	2020
Current:			
Trade accounts payable	$ 1,833,222	$ 2,138,117	$ 2,375,715
Related parties	11,012	666	480
Value added tax and other federal and local taxes payable	498,962	430,546	1,136,511
Accrued expenses payable	115,544	161,126	244,414
Other	123,833	113,712	94,173
	$ 2,582,573	$ 2,844,167	$ 3,851,293

15. Provisions

	Litigation	Restructuring[1]	Total
As of January 1, 2020	$ 28,490	$ 191,700	$ 220,190
Additions	$ 2,292	$ -	$ 2,292
Payments	(12,365)	(191,700)	(204,065)
As of December 31, 2020	$ 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

[1] Provisions due to restructuring include indemnities due to personnel changes.

Provisions as of December 31, 2022, 2021 and 2020 are short-term.

16. Deferred income

Deferred income movements during the year are shown as follows:

	2022	2021	2020
Beginning balance	$ 86,052	$ 116,054	$ 153,229
Increases	313,079	413,276	491,935
Recognized income of the year	(353,923)	(443,278)	(529,110)
Ending balance	$ 45,208	$ 86,052	$ 116,054

17. Debt

	2022	2021	2020
Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)	$ 3,026,182	$ 3,154,745	$ 3,243,750
Syndicated loan	-	-	-
Senior Notes	7,787,641	9,056,740	9,974,350
Export Development Canada (EDC)	572,761	605,755	987,590
MUFG Bank México, S.A. (MUFG)	-	-	200,000
Banco Mercantil del Norte, S.A. (Banorte)	-	-	110,000
Other loans	121,863	24,815	140,185
Accrued interest payable	104,453	100,021	105,809
Issuance costs	(52,780)	(82,639)	(117,398)
Total debt	11,560,120	12,859,437	14,644,286
Current portion of debt	(375,506)	(252,072)	(1,609,301)
Non-current debt	$ 11,184,614	$ 12,607,365	$ 13,034,985

The terms, conditions and carrying amounts of debt are as follows:

	Country	Currency	Interest rate Contractual	Interest rate Effective	Maturity date	Interest payment periodicity	2022	2021	2020
Bancomext	Mexico	MXP	TIIE + 2.10%	10.76%	30/08/2028	Quarterly	$ 3,026,182	$ 3,154,745	$ 3,243,750
Senior Notes	International	USD	6.375%	6.72%	14/11/2024	Semi-annually	7,787,641	9,056,740	9,974,350
EDC	Canada	MXP	TIIE + 1.75%	10.97%	24/06/2024	Monthly	50,000	50,000	50,000
EDC	Canada	USD	Libor + 2.00%	4.39%	24/06/2024	Monthly	522,761	555,755	937,590
MUFG	Mexico	MXP	1.70%	6.18%	19/03/2021	Monthly	-	-	200,000
Banorte	Mexico	MXP	TIIE + 1.75%	6.22%	10/02/2021	Monthly	-	-	110,000
Other loans	Mexico	MXP	Varias	Varias	Varias	Quarterly	121,863	24,815	140,185
Total bank loans							11,508,447	12,842,055	14,655,875
Debt issuance costs							(52,780)	(82,639)	(117,398)
Accrued interest payable							104,453	100,021	105,809
Total debt							$ 11,560,120	$ 12,859,437	$ 14,644,286

As of December 31, 2022, annual maturities of non-current debt are as follows:

	2024	2025	2026	2027 onwards	Total[1]
Bank loans	$ 800,219	$ 336,242	$ 494,474	$ 1,799,886	$ 3,430,821
Senior Notes	7,787,641	-	-	-	7,787,641
Other loans	18,932	-	-	-	18,932
	$ 8,606,792	$ 336,242	$ 494,474	$ 1,799,886	$ 11,237,394

[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, 2022, 2021 and 2020 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 and debt issuance 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 29) divided by financial expenses for the last four quarters of the period analyzed. As of December 31, 2022, this ratio cannot be less than 2.25 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 29) for the last 12 months. As of December 31, 2022, this ratio cannot be greater than 4.25 times.

As of December 31, 2022, the leverage ratio is of 3.5 times for the Senior Notes and and bank loan.

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; and
- Pay dividends

As of December 31, 2022, 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.

18. Lease liability

	As of December 31,		
	2022	2021	2020
Current portion:			
USD:	$ 51,359	$ 59,061	$ 77,720
MXN:	169,609	205,203	217,029
Current lease liability	$ 220,968	$ 264,264	$ 294,749
USD:	$ 79,136	$ 134,447	$ 131,101
MXN:	241,822	349,807	495,923
	320,958	484,254	627,024
Less; Current portion of lease liability	220,968	264,264	294,749
Non-current lease liability	$ 99,990	$ 219,990	$ 332,275

	2022	2021	2020
Beginning balance	$ 484,254	$ 627,024	$ 866,098
New contracts	82,973	240,512	239,952
Write-offs	(1,284)	(107,991)	(22,159)
Interest expense from lease liability	37,695	54,702	68,157
Lease payments	(276,453)	(332,412)	(545,855)
Exchange gain (loss)	(6,227)	2,419	20,831
Ending balance	$ 320,958	$ 484,254	$ 627,024

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

	Al 31 de diciembre de		
	2022	2021	2020
Less than 1 year	$ 223,962	$ 273,083	$ 308,942
Over 1 year and less than 5 years	94,631	207,176	334,577
Over 5 years	6,016	16,241	6,999
Total	$ 324,609	$ 496,500	$ 650,518

19. 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 $421,430, $350,164 and $290,459 as of December 31, 2022, 2021 and 2020, 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:

	2022	2021	2020
Obligations in the consolidated statement of financial position:			
Pension benefits	$ 462,485	$ 412,105	$ 444,764
Post-employment medical benefits	7,340	4,231	7,624
Defined contribution additional liability	421,430	350,164	290,459
Liability recognized in the consolidated statement of financial position	$ 891,255	$ 766,500	$ 742,847
Charge in the consolidated statement of income for:			
Pension benefits	$ 59,284	$ 60,357	$ 68,416
Medical benefits to retirement	419	637	603
	$ 59,703	$ 60,994	$ 69,019
Remeasurements for accrued employee benefit obligations recognized in other comprehensive income for the year	$ 4,961	$ (85,986)	$ 29,646

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:

	2022	2021	2020
As of January 1	$ 416,336	$ 452,388	$ 413,186
Current service cost	27,532	29,600	40,105
Financial cost	32,171	31,394	28,914
Actuarial remeasurements	4,961	(85,986)	29,646
Past service cost	-	-	8,714
Benefits paid	(3,453)	(3,832)	(12,068)
Reductions	(7,723)	(7,228)	(56,109)
As of December 31	$ 469,824	$ 416,336	$ 452,388

The primary actuarial assumptions were as follows:

	2022	2021	2020
Discount rate	9.25%	7.75%	6.75%
Future wage increase	5.00%	4.50%	4.50%
Medical inflation rate	7.00%	7.00%	6.50%

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%	($29,131)	$32,909
Medical inflation rate	1%	($7,340)	$5,987

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.

20. Income taxes

a) Income taxes recognized in the consolidated statement of income:

	2022	2021	2020
Current income tax	$ (561)	$ (9,338)	$ (49,602)
Deferred income tax charge (benefits)	48,887	393,265	(364,025)
Prior years' adjustment	(94)	(31,522)	(379,006)
Income tax (expense) benefit	48,232	$ 352,405	$ (792,633)

b)

	2022	2021	2020
(Loss) income before taxes	$ (87,046)	$ (1,149,147)	$ 1,153,888
Statutory rate	30%	30%	30%
Benefit (expense) at statutory rate	26,114	344,744	(346,166)
(Plus) less tax effect on:			
Tax effects of inflation	(248,144)	(76,082)	(118,037)
Non-deductibles	(26,150)	(17,228)	(31,591)
Other differences, net	296,412	100,971	(296,839)
Total income tax benefit (expense) charged to income	$ 48,232	$ 352,405	$ (792,633)
Effective rate	(55)%	(31)%	(69)%

c) The detail of deferred income tax asset (liability) is as follows:

	2022	2021	2020
Tax loss carryforwards	$ 1,060,135	$ 1,118,770	$ 813,140
Allowance for doubtful accounts	410,395	481,081	640,832
Property, plant and equipment	1,458,128	1,093,232	871,738
Provisions and other	18,052	140,288	405,326
Intangible assets and other	11,245	22,739	(190,493)
Deferred tax asset	$ 2,957,955	$ 2,856,110	$ 2,540,543
Property, plant and equipment	(126,602)	(1,128)	(4,401)
Intangible assets and other	(18,347)	(6)	2,947
Tax loss carryforwards	69,389	-	-
Deferred tax liability	$ (75,560)	$ (1,134)	$ (1,454)

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, 2022 for which a tax asset was recognized amount to $3,765,078. The Company reserved tax losses of $627,608 since its recovery is not considered probable.

Tax losses as of December 31, 2022 expire in the following years:

Year of expiration	Amount
2026	$ 3,001,650
2029 y onwards	763,428
	$ 3,765,078

d) The tax charge/(credit) related to other comprehensive (loss) income is as follows:

	2022 Before taxes	2022 Tax charged/ (credited)	2022 After taxes	2021 Before taxes	2021 Tax charged/ (credited)	2021 After taxes	2021 Before taxes	2021 Tax charged/ (credited)	2021 After taxes
Effect of currency translation	$ (1,446)	$ -	$ (1,446)	$ 732	$ -	$ 732	$ 1,152	$ -	$ 1,152
Fair value of derivative financial instruments	34,691	(10,407)	24,284	171,827	(51,548)	120,279	(62,399)	18,720	(43,679)
Remeasurements of employee benefits	(4,961)	1,488	(3,473)	85,986	(25,796)	60,190	(29,646)	8,894	(20,752)
	28,284	(8,919)	19,365	258,545	(77,344)	181,201	(90,893)	27,614	(63,279)

21. Stockholders' equity

At the Ordinary General 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.

At the Ordinary General Stockholders' Meeting held on February 25, 2020, a reserve for the repurchase of shares of $400 million pesos was approved, which was partially used. For the year ended December 31, 2020, share repurchases were made for a total of 237,843,543 shares, which represented a decrease in the fund of $213,680.

As of December 31, 2022, 2021 and 2020, the balance of the reserve for the repurchase of share is $200,000, $190,124 and $186,320, respectively.

After the above-mentioned events, 19,824,236,117 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, 2020	20,074,913,404
Repurchase of shares	237,843,543
Shares as of December 31, 2020	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

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 from 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, 2022, the tax value of the CUFIN and tax value of the Capital Contribution Account (CUCA from Spanish) amounted to $1,313,151 and $29,845,908, 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.

22. Revenues

a. Income for services:

	2022	2021	2020
Voice	$ 914,829	$ 1,023,919	$ 1,283,749
Managed networks	3,251,309	3,598,641	4,074,645
Internet data	4,192,632	4,553,229	4,551,367
Administrative applications	190,701	222,787	305,967
Hosting	273,832	359,020	518,727
System integration	652,537	686,741	770,191
Security	493,251	506,289	464,395
Cloud services	425,026	335,385	298,565
Other services	85,479	103,483	88,375
Total	$ 10,479,596	$ 11,389,494	$ 12,355,981

b. Income by geographical areas:

	2022	2021	2020
Mexico	$ 10,468,216	$ 11,376,083	$ 12,319,963
Outside Mexico	11,380	13,411	36,018
Total	$ 10,479,596	$ 11,389,494	$ 12,355,981

23. Expenses classified by their nature

Total cost of sales and selling and administrative expenses, classified by nature of the expense, were as follows:

	2022	2021	2020
Service cost [1]	$ 2,792,788	$ 3,138,292	$ 3,458,788
Employee benefit expenses (Note 26)	2,335,222	2,360,066	2,633,733
Maintenance	544,282	599,006	677,386
Depreciation and amortization	2,806,263	3,179,364	3,384,219
Advertising expenses	19,787	21,544	54,225
Energy and fuel consumption	277,250	257,394	272,669
Travel expenses	22,422	11,833	20,342
Lease expenses	948,345	942,627	893,842
Technical assistance, professional fees and administrative services	185,866	132,483	165,850
Other	449,993	101,278	22,296
Total	$ 10,382,218	$ 10,743,887	$ 11,583,350

[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.

24. Other income (expenses), net

	2022	2021	2020
Impairment of non-current assets	$ (8,038)	$ (30,790)	$ (170,315)
Impairment of investments	(22,844)	(290,114)	-
Gain (loss) on sale of property, plant and equipment[1]	25,449	(1,327)	2,022,963
Other income (expenses), net	81,927	(31,128)	147,221
Total other income (expenses), net	$ 76,494	$ (353,359)	$ 1,999,869

(1) It includes the sale of the data centers. See Note 2.j.

25. Financial result, net

	2022	2021	2020
Financial income:			
Interest income on short-term bank deposits	$ 81,622	$ 24,909	$ 38,878
Other financial income	204,557	-	-
Total financial income	$ 286,179	$ 24,909	$ 38,878
Financial expenses:			
Interest expense on bank loans	$ (355,636)	$ (357,867)	$ (408,080)
Interest expense on senior notes	(611,410)	(650,613)	(817,685)
Interest expense on leases	(37,695)	(54,702)	(68,157)
Financial expenses related to employee benefits	(32,171)	(31,394)	(28,914)
Other financial expenses	(21,442)	(94,133)	(55,179)
Total financial expenses	$ (1,058,354)	$ (1,188,709)	$ (1,378,015)

	2022	2021	2020
Exchange fluctuation gain (loss), net:			
Gain on exchange fluctuation	$ 5,229,662	$ 7,601,212	$ 7,217,500
Loss on exchange fluctuation	(4,718,405)	(7,878,807)	(7,602,784)
Exchange fluctuation gain (loss), net	$ 511,257	$ (277,595)	$ (385,284)

26. Employee benefit expenses

	2022	2021	2020
Salaries, wages and benefits	$ 1,906,718	$ 1,933,976	$ 2,191,558
Social security fees	329,048	327,803	338,279
Employee benefits	27,532	29,600	40,105
Other fees	71,924	68,687	63,791
Total	$ 2,335,222	$ 2,360,066	$ 2,633,733

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, 2022.

27. Transactions with related parties

Balances with related parties as of December 31, 2022, 2021 and 2020, were as follows:

	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

	December 31, 2020	
	Accounts receivable	Accounts payable
Affiliates	$ 8,202	$ 480
Total	$ 8,202	$ 480

(1) Indemnification (See Note 2).

Transactions with related parties for the years ended December 31, 2022, 2021 and 2020, 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, 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

	Year ended December 31, 2020		
	Income	Costs and expenses	
	Telecommunication services	Interests	Others
Holding company	$ -	$ 10,625	$ -
Affiliates	$ 170,756	$ -	$ 9,480
Total	170,756	$ 10,625	$ 9,480

For the year ended December 31, 2022, 2021, 2020 compensation and benefits paid to the Company's main officers totaled $67,357, $66,098 and $116,791, 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 Alfa's shares.

28. Contingencies and commitments

As of December 31, 2022, there are the following commitments and contingencies with respect to Axtel and subsidiaries:

I. Contingencies

Interconnection Disagreements with other Mobile Operators.

a. Radiomóvil Dipsa, S. A. de C. V. (Telcel).

2018 rates

i. One amparo lawsuit regarding interconnection (ITX), in which Axtel S.A.B. de C.V. (Axtel), appears as an interested third party.

ii. January 2018: The Company was notified of a writ filed by Telcel against the rates of the year 2018 determined by the Federal Telecommunications Institute (“IFT” for its acronym in Spanish).

iii. Current status: Dismissal due to the withdrawal of Telcel due to the resolution against it of the amparo under review 1091/2019 (Telcel vs ATT) and the various writs under review 489/2020 (Telcel vs Alestra Innovación). Concluded definitely in a favorable sense.

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, given the precedents resolved by the SCJN, the outlook is favorable.

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: Given the precedents resolved by the SCJN, the outlook is favorable.

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.

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. Telefónica Group.

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: In first instance, the suspension was lifted by instruction of the SCJN, Therefore, both lawsuits continue their process.

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: In first instance: Given the precedents resolved by the SCJN, the outlook is favorable.

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: In first instance: Given the precedents resolved by the SCJN, the outlook for the matter is favorable insofar as controversial issues were defined.

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.

2019 rates

i. Two amparo lawsuits, on ITX and virtual mobile networks, where Axtel is an interested third party.
ii. June 2019: the Company was notified of an amparo lawsuit filed by AT&Ta against the rates for the period of 2019, determined by the IFT.
iii. Current status: Dismissal for various wrongdoings, without challenge by the plaintiff. Concluded definitely in a favorable sense.

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: In first instance.

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 there are precedents from the SCJN that are favorable to Axtel's arguments, 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. Interconnection disagreements with Telmex & Telnor.

2018 rates

i. A lawsuit regarding ITX / OMV, Axtel is considered an interested third party.

ii. January 2018: The Company was notified of two lawsuits, against the rates for the year 2018, determined by the IFT

ii. Current status: The OMV trial in the first instance is ongoing, and the ITX trial was concluded definitively in a favorable sense.

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 the ITX tariff was concluded definitely in a favorable sense, while the trial related to OMV was renewed by the SCJN, so it continues its process.

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: In first instance.

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: In first instance.

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: In first instance.

2023 rates

i. A lawsuit regarding ITX / OMV, Axtel is considered an interested third party.

ii. December 2022: the Company was notified of an amparo lawsuit filed against the rates for the year 2022, determined by the IFT.

iii. Current status: In first instance.

As of December 31, 2022, 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 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.

e. 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 lawsuit concerning the Government of Nuevo León is currently at a trial level.

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.

At the date of issuance of the consolidated financial statements, the Company and its advisors believe that there is no real likelihood that this claim will succeed and, therefore, there are no book provisions associated with this contingency.

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.

As of the date of issuance of the consolidated financial statements, the Company obtained an amparo ruling in its favor, modifying the sentence against it.

Compensatory Procedures in the Federal Superior Auditors ("ASF" for its acronym in Spanish)

iii. By May 2019, the ASF determined a compensation liability of $34,188, 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, which was resolved, not giving the amparo to the Company.

An Appeal for Review was filed and admitted before the SCJN, the matter is being processed.

With respect to the foregoing, in December 2019, the SAT notified S&C of an update and surcharges of $45,264, a determination that was challenged by an administrative lawsuit, which is currently suspended with the administrative enforcement procedure until the SCJN resolves the main matter. The tax credit is guaranteed.

In this regard, the Company and its advisors consider an average possibility of obtaining a favorable result for both lawsuits.

Lawsuit between Axtel and Secretariat of Welfare

iv. In 2022, Axtel filed an annulment lawsuit before the Federal Court of Administrative Justice, against the Secretariat of Welfare, in which a payment of $24,392 is claimed for the provision of services in the year 2020.

The matter is pending in the first instance.

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

Other contingencies and notes:

v. 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.

Derived from the COVID-19 health emergency, the SCJN, the Federal Judicial Branch, Federal Courts and Local Courts, suspended terms and periods in various periods of the years 2020 and 2021, causing a delay in the procedures and resolutions of the matters where the Company is a part of.

29. Segment information

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, Alestra, being the services unit, and Axtel Networks, the infrastructure unit.

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 infrastructure 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 two 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:

	2022							
		Services		Infrastructure		Inter-units		Total
Sales by segment	$	8,546,707	$	4,387,723	$	(2,454,834)	$	10,479,596
Service cost		(4,911,971)		(335,651)		2,454,834		(2,792,788)
Expenses		(765,617)		(211,394)		-		(977,011)
Business unit contribution (BUC)		2,869,119		3,840,678		-		6,709,797
Unallocated expenses		(1,273,681)		(2,425,099)		-		(3,698,780)
Adjusted EBITDA		1,595,438		1,415,579		-		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							
		Services		Infrastructure		Inter-units		Total
Sales by segment	$	8,827,534	$	5,016,696	$	(2,454,736)	$	11,389,494
Service cost		(5,177,136)		(415,892)		2,454,736		(3,138,292)
Expenses		(792,305)		(58,635)		-		(850,940)
Business unit contribution (BUC)		2,858,093		4,542,169		-		7,400,262
Unallocated expenses		(1,319,813)		(2,287,933)		-		(3,607,746)
Adjusted EBITDA		1,538,280		2,254,236		-		3,792,516
Impairment of non-current assetsz								(320,904)
Depreciation and amortization								(3,179,364)
Operating income								292,248
Financial result, net								(1,441,395)
Loss before taxes							$	(1,149,147)

	2020							
		Services		Infrastructure		Inter-units		Total
Sales by segment	$	9,824,022	$	4,982,716	$	(2,450,757)	$	12,355,981
Service cost		(5,533,688)		(375,857)		2,450,757		(3,458,788)
Expenses		(944,721)		(37,771)		-		(982,492)
Business unit contribution (BUC)		3,345,613		4,569,088		-		7,914,701
Unallocated expenses		(1,466,523)		(2,141,909)		-		(3,608,432)
Adjusted EBITDA		1,879,090		2,427,179		-		4,306,269
Sale of the data center		-		2,020,765		-		2,020,765
Adjusted EBITDA plus the sale of the data center								6,327,034
Impairment of non-current assets								(170,315)
Depreciation and amortization								(3,384,219)
Operating income								2,772,500
Financial result, net								(1,618,612)
Income (loss) before taxes							$	1,153,888

30. Subsequent events

In preparing the consolidated financial statements, the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2022 and through January 31, 2023, (issuance date of the consolidated financial statements), which are as follows:

On January 17, 2023, Axtel announced that it initiated an offer to purchase up to US$75 million principal of its 6.375% coupon notes due in 2024 ("Senior Notes 2024"). On January 31, 2023, Axtel announced the results of the early offering, where the Senior Notes 2024 offered by the holders and accepted by the Company was for US$77.7 million. In connection with this, the Company is also increasing the previously announced US$75 million offer limit to US$120 million. The Company has decided to extend the early offer date to February 13, 2023, which is also the expiration date of the offer.

31. Authorization to issue the consolidated financial statements

On January 31, 2023, 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.

* * * * *

REPORT PARAMETERS

Axtel's 2022 Annual Integrated Report is the document that allows us to inform our stakeholders of the company's operational, corporate governance, labor, social environmental and financial results.

This report has been prepared in accordance with the GRI Standards for the period from January 1st to December 31, 2022.

It responds to the requirements of the Sustainability Accounting Standards Board (SASB) applicable to the telecommunications, software and IT services industries of which we are a part of and addresses some of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), regarding our climate-related risks and opportunities.

The information reported corresponds to Axtel's operations in Mexico, so it does not reflect the performance of other companies, entities, institutions, shareholders, customers or business partners.

Our Executive Directors are responsible for reviewing and approving the final version of Axtel's Annual Integrated Report and provide their perspective on material issues and significant events of the year.

This report was verified by e3 Consultora Ambiental, a third party independent of our organization.

GRI

CONTENT

INDEX

UNIVERSAL STANDARDS

GRI STANDARD		CONTENT	PAGE OR RESPONSE
GRI 1 FOUNDATION 2021			
GRI 2 GENERAL DISCLOSURES 2021			
1. THE ORGANIZATION AND ITS REPORTING PRACTICES			
GRI 2 General Disclosures 2021	2-1	Organizational details.	Axtel, S.A.B. de C.V. 8
	2-2	Entities included in the organization's sustainability reporting.	90
	2-3	Reporting period, frequency and contact point.	163, back cover
	2-4	Restatements of information.	163
	2-5	External assurance.	163
2. ACTIVITIES AND WORKERS			
GRI 2 General Disclosures 2021	2-6	Activities, value chain, and other business relationships.	9, 10, 11, 14
	2-7	Employees.	62, 63
	2-8	Workers who are not employees.	62
3. GOVERNANCE			
GRI 2 General Disclosures 2021	2-9	Governance structure and composition.	78, 80
	2-10	Nomination and selection of the highest governance body.	78
	2-11	Chair of the highest governance body.	78, 80
	2-12	Role of the highest governance body in overseeing the management of impacts.	79, 89
	2-13	Delegation of responsibility for managing impacts.	79, 89
	2-14	Role of the highest governance body in sustainability reporting.	161
	2-15	Conflicts of interest.	79, 91, 95
	2-16	Communication of critical concerns.	79
	2-17	Collective knowledge of the highest governance body.	81, 82, 83, 84, 85
	2-18	Evaluation of the performance of the highest governance body.	Information unavailable. Currently we do not evaluate the performance of the highest governance body and we do not have a defined date to do so.
	2-19	Remuneration policies.	80
	2-20	Process to determine remuneration.	80
	2-21	Annual total compensation ratio.	80

GRI
CONTENT
INDEX

GRI STANDARD		CONTENT	PAGE OR RESPONSE
4. STRATEGY, POLICIES AND PRACTICES			
GRI 2 General Disclosures 2021	2-22	Statement on sustainable development strategy.	4
	2-23	Policy commitments.	37, 40
	2-24	Embedding policy commitments.	37, 40
	2-25	Processes to remediate negative impacts.	44
	2-26	Mechanisms for seeking advice and raising concerns.	94
	2-27	Compliance with laws and regulations.	91
	2-28	Membership associations.	35, 46
5. STAKEHOLDER ENGAGEMENT			
GRI 2 General Disclosures 2021	2-29	Approach to stakeholder engagement.	41
	2-30	Collective bargaining agreements.	Not aplicable. Axtel does not have unionized workers.
GRI 3 MATERIAL TOPICS 2021			
GRI 3 Material Topics 2021	3-1	Process to determine material topics.	43, 44, 45
	3-2	List of material topics.	43, 44, 45

TOPIC STANDARDS

GRI STANDARD		CONTENT	PAGE OR RESPONSE
MATERIAL TOPIC: CYBERSECURITY			
GRI 3 Material Topics 2021	3-3	Management of material topics.	25, 26
MATERIAL TOPIC: ENERGY AND EMISSIONS			
GRI 3 Material Topics 2021	3-3	Management of material topics.	49
GRI 302 Energy 2016	302-1	Energy consumption within the organization.	52
	302-2	Energy consumption outside of the organization.	52
	302-3	Energy intensity.	53

GRI
CONTENT
INDEX

GRI STANDARD		CONTENT	PAGE OR RESPONSE
GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions.	56
	305-2	Energy indirect (Scope 2) GHG emissions.	57
	305-3	Other indirect (Scope 3) GHG emissions.	57
	305-4	GHG emissions intensity.	58
	305-5	Reduction of GHG emissions.	49, 55, 57
MATERIAL TOPIC: CUSTOMER PRIVACY			
GRI Material topics 2021	3-3	Management of material topics.	26
GRI 418 Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	26
MATERIAL TOPIC: RISK MANAGEMENT			
GRI Material topics 2021	3-3	Management of material topics.	89
MATERIAL TOPIC: NETWORK QUALITY AND RELIABILITY			
GRI Material topics 2021	3-3	Management of material topics.	27, 28, 29, 30
MATERIAL TOPIC: OPERATIONAL RESILIENCE			
GRI Material topics 2021	3-3	Management of material topics.	25, 26
GRI 200: ECONOMIC STANDARDS			
GRI 201 Economic performance 2016	201-1	Direct economic value generated and distributed.	97
	201-2	Financial implications and other risks and opportunities due to climate change.	89 Partially reported.
	201-3	Defined benefit plan obligations and other retirement plans.	66, 79
	201-4	Financial assistance received from government.	During 2022 Axtel did not receive financial assistance from any government.
GRI 202 Market presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage.	64
	202-2	Proportion of senior management hired from the local community.	62
GRI 204 Procurement practices 2016	204-1	Proportion of spending on local suppliers.	24
GRI 205 Anti-corruption 2016	205-1	Operations assessed for risks related to corruption.	93
	205-2	Communication and training about anti-corruption policies and procedures.	23
	205-3	Confirmed incidents of corruption and actions taken.	95
GRI 206 Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	95

GRI
CONTENT
INDEX

GRI STANDARD		CONTENT	PAGE OR RESPONSE
GRI 207 Tax 2019	207-1	Approach to tax.	96
	207-2	Tax governance, control, and risk management.	96
	207-3	Stakeholder engagement and management of concerns related to tax.	96
	207-4	Country-by-country reporting.	96
GRI 300: ENVIRONMENTAL STANDARDS			
GRI 303 Water and effluents 2018	303-1	Interactions with water as a shared resource.	59
	303-5	Water consumption.	59
GRI 306 Waste 2020	306-1	Waste generation and significant waste-related impacts.	49, 54, 60
	306-2	Management of significant waste-related impacts.	49, 54, 60
	306-3	Waste generated.	60
	306-4	Waste diverted from disposal.	54, 60
	306-5	Waste directed to disposal.	60
GRI 308 Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria.	24
	308-2	Negative environmental impacts in the supply chain and actions taken.	During 2022 we did not identify negative environmental impacts in the supply chain.
GRI 400: SOCIAL STANDARDS			
GRI 401 Employment 2016	401-1	New employee hires and employee turnover.	64
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	66
	401-3	Parental leave.	66
GRI 403 Occupational health and safety 2018	403-1	Occupational health and safety management system.	67
	403-2	Hazard identification, risk assessment, and incident investigation.	67, 68
	403-3	Occupational health services.	69
	403-4	Worker participation, consultation, and communication on occupational health and safety.	69
	403-5	Worker training on occupational health and safety.	68, 72
	403-6	Promotion of worker health.	69, 70, 71
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	67, 68
	403-8	Workers covered by an occupational health and safety management system.	67
	403-9	Work-related injuries.	72
	403-10	Work-related ill health.	72

GRI
CONTENT
INDEX

GRI STANDARD		CONTENT	PAGE OR RESPONSE
GRI 404 Training and education 2016	404-1	Average hours of training per year per employee.	74
	404-2	Programs for upgrading employee skills and transition assistance programs.	73, 74
	404-3	Percentage of employees receiving regular performance and career development reviews.	75, 76
GRI 405 Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees.	62, 63, 80
	405-2	Ratio of basic salary and remuneration of women to men.	64
GRI 406 Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken.	95
GRI 407 Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	24
GRI 408 Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor.	24
GRI 409 Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor.	24
GRI 410 Security practices 2016	410-1	Security personnel trained in human rights policies or procedures.	93
GRI 411 Rights of indigenous peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples.	During 2022 we did not receive any cases for this concept.
GRI 413 Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs.	76
GRI 414 Suppler social assessment 2016	414-1	New suppliers that were screened using social criteria.	24
	414-2	Negative social impacts in the supply chain and actions taken.	During 2022 we did not evaluate the negative social impacts of our suppliers.
GRI 415 Public policy 2016	415-1	Political contributions.	At Axtel we do not grant this type of contribution.
GRI 417 Marketing and labeling 2016	417-3	Incidents of non-compliance concerning marketing communications.	95

SASB INDEX

SOFTWARE & IT SERVICES | TELECOMMUNICATION SERVICES

SASB INDICATOR		CONTENT	PAGE OR RESPONSE
Environmental Footprint of Hardware Infrastructure	TC-SI-130a.1 TC-TL-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable.	51, 52
	Extra	Weighted average effectiveness of energy use for Data Centers.	50
	TC-SI-130a.2	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress.	59 Partially reported.
	TC-SI-130a.3	Discussion of the integration of environmental considerations into strategic planning for data center needs.	Not reported.

SASB

INDEX

SASB INDICATOR		CONTENT	PAGE OR RESPONSE
Data Privacy & Freedom of Expression	TC-SI-220a.1 TC-TL-220a.1	Description of policies and practices relating to behavioral advertising and user privacy.	26
	TC-SI-220a.2 TC-TL-220a.2	Number of users whose information is used for secondary purposes.	26
	TC-SI-220a.3 TC-TL-220a.3	Total amount of monetary losses as a result of legal proceedings associated with user privacy.	26
	TC-SI-220a.4 TC-TL-220a.4	(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure.	26
	TC-SI-220a.5	List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring.	The Tax Administration Service (SAT, acronym in Spanish) asks telecommunications concessionaires, such as Axtel, to block those digital services that do not comply with their tax obligations, although the SAT is still pending to define the guidelines that indicate how the block will be carried out. blocking request to dealers. This was stated in the "Decree amending, adding and repealing various provisions of the Income Tax Law, the Value Added Tax Law and the Federal Tax Code", with date of publication in the Official Gazette of the Federation of December 8, 2020.
Data Security	TC-SI-230a.1 TC-TL-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected.	26
	TC-SI-230a.2 TC-TL-230a.2	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards.	25
Recruiting & Managing a Global, Diverse & Skilled Workforce	TC-SI-330a.1	Percentage of employees that are (1) foreign nationals and (2) located offshore.	62
	TC-SI-330a.2	Employee engagement as a percentage.	75
	TC-SI-330a.3	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees.	62, 63
Product End-oflife Management	TC-TL-440a.1	(1) Materials recovered through take back programs, percentage of recovered materials that were (2) reused, (3) recycled, and (4) landfilled.	Not reported.

SASB INDEX

SASB INDICATOR		CONTENT	PAGE OR RESPONSE
Competitive Behavior & Open Internet	TC-SI-520a.1 TC-TL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations.	95
	TC-TL-520a.2	Average actual sustained download speed of (1) owned and commercially-associated content and (2) non-associated content.	Does not apply.
	TC-TL-520a.3	Description of risks and opportunities associated with net neutrality, paid peering, zero rating, and related practices.	27
Managing Systemic Risks from Technology Disruptions	TC-SI-550a.1	Number of (1) performance issues and (2) service disruptions; (3) total customer downtime.	28
	TC-SI-550a.2	Description of business continuity risks related to disruptions of operations.	27
Managing Systemic Risks from Technology Disruptions	TC-TL-550a.1	(1) System average interruption frequency and (2) customer average interruption duration.	28
	TC-TL-550a.2	Discussion of systems to provide unimpeded service during service interruptions.	28
Activity Metrics	TC-SI-000.A	(1) Number of licenses or subscriptions, (2) percentage cloudbased.	Does not apply.
	TC-SI-000.B	(1) Data processing capacity, (2) percentage outsourced.	1,256 racks, 57% outsourced.
	TC-SI-000.C	(1) Amount of data storage, (2) percentage outsourced.	1.12 Petabytes, 88.39% outsourced.
	TC-TL-000.A	Number of wireless subscribers.	Does not apply.
	TC-TL-000.B	Number of wireline subscribers.	Does not apply.
	TC-TL-000.C	Number of broadband subscribers.	Does not apply.
	TC-TL-000.D	Network traffic.	1,635.03 Gigabits per second (peak hour data).

TCFD INDEX

TCFD		CONTENT	PAGE OR RESPONSE
TCFD - Governance	a)	Describe the board's oversight of climate-related risks and opportunities.	89
	b)	Describe management's role in assessing and managing climate-related risks and opportunities.	Not reported.
TCFD - Strategy	a)	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	89 Partially reported.
	b)	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	89 Partially reported.
	c)	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Not reported.
TCFD - Risk Management	a)	Describe the organization's processes for identifying and assessing climate-related risks.	29, 30
	b)	Describe the organization's processes for managing climate-related risks.	29, 30
	c)	Describe how processes for identifying, assessing, and managing climated-related risks are integrated into the organization's overall risk management.	29, 30
TCFD - Metrics and Targets	a)	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Not reported.
	b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	56, 57
	c)	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Not reported.

VERIFICATION LETTER

Independent Verification Report

Stakeholders of the independent verification of the 2022 Integrated Annual Report of Axtel are informed of the following:

RYM Servicios Ambientales Internacionales S.C, hereinafter e3 Consultora Ambiental, has concluded the independent review of the sustainable performance contents of Axtel, S.A.B de C.V., hereinafter Axtel, corresponding to the 2022 period.

1. Summary of activities

e3 Consultora Ambiental reviewed the indicators corresponding to the structure of the report, organizational and information details, governance, economic, environmental and social impacts, to be included in Axtel's 2022 Integrated Annual Report.

To validate the quality of the indicators presented in Axtel's 2022 Integrated Annual Report, access was requested to the consolidated information records that were provided by a single information compiler; this information was provided to the compiler by the different departments involved in the compilation of the report. The information was selected based on the material issues presented by the company in its report and that were representative for the independent review.

Based on the material issues identified by the company and based on the independent review of the indicators, the content coverage of the Global Reporting Initiative (GRI) was verified for a report 'in accordance with the GRI Standards' option.

2. Methodology

The preparation of this verification report has been made based on the GRI standards, using GRI 1: Fundamentals 2021 as the base standard for the application of the reporting principles, regarding the definition of the content and the quality of the report, as well as the coverage of material topics and the presentation of the GRI content index. The independent verification also complies with the recommendations of the ISAE Standard 3000 and the AA1000AS sustainability assurance standard.

In addition, different thematic standards were used for the material issues that were selected for review, as shown in the following table of indicators.

3. Sample of verified indicators

Theme	Verified standards
Universal	GRI 1, GRI 2
[200] Economic	205
[300] Environmental	302, 303, 305, 306
[400] Social	401, 403, 404

IZA Business Center Portar San Ángel AV. Revolución No.1267.Piso19.
Col. Los Alpes. Del. Álvaro Obregón. C.P. 01010. CDMX

4. Conclusions

- The definition and information of the contents of the report was made based on the principles of reporting in accordance with the GRI Standards; there was no evidence that said definition was contrary to the principles of precision, balance, clarity, comparability, exhaustiveness, context of sustainability, punctuality and verifiability.
- There were no situations that lead us to conclude that there are considerable errors or omissions regarding the information disclosed in Axtel's 2022 Integrated Annual Report, based on the review of the evidence that supports the figures of a sample of report indicators.
- There is no evidence that leads us to contradict that Axtel's 2022 Integrated Annual Report has been prepared in accordance with the GRI Standards.
- The findings and recommendations are delivered separately in an internal report to Axtel.

Sincerely

Master David Alejandro Parra Romero
Operational manager and legal representative of e3 Consultora Ambiental

NOTES: *This work corresponds to a limited verification exercise, carried out on behalf of Axtel and has concluded in April 2023. In no way can it be understood as an audit of the figures presented in the report or the control mechanisms. Internal for the generation, analysis, calculation and storage of Axtel's non-financial information. e3 Environmental Consultant is a firm independent from the reporting company. The verification team did not participate under any measure in the preparation of Axtel's 2022 Integrated Annual Report.*

IZA Business Center Portar San Ángel AV. Revolución No.1267.Piso19.
Col. Los Alpes. Del. Álvaro Obregón. C.P. 01010. CDMX

Contact

NANCY LLOVERA
INVESTOR RELATIONS
ir@axtel.com.mx

HECTOR CANALES
SUSTAINABILITY
hector.canales@axtel.com.mx

HEADQUARTERS
Av. Múnich No. 175 Col. Cuauhtémoc,
San Nicolás De Los Garza, Nuevo León, C.P. 66450.

www.axtelcorp.mx/sostenibilidad