2021

ANNUAL INTEGRATED REPORT

axtel

CONTENT

2021 AT A GLANCE

47,300 KM
FIBER OPTIC NETWORK

+18,000
CUSTOMERS SERVED

Ps. 11,389 MILLION
IN REVENUE

34
HOURS ON AVERAGE OF TRAINING PER EMPLOYEE

45 %
OF THE ENERGY WE CONSUME COMES FROM CLEAN OR RENEWABLE SOURCES

1º
VIRTUAL MOBILE OPERATOR FOCUSED EXCLUSIVELY ON THE BUSINESS SEGMENT IN MEXICO

+$707,900
DONATED BY OUR EMPLOYEES FOR SOCIAL CAUSES

Ps. 3,793 MILLION
FLOW*

+200,500 KILOGRAMS
OF PAPER AND CARDBOARD SENT FOR RECYCLING

93 %
INCREASE IN OUR S&P CSA RATING[1]

* Flow: operating income, plus depreciation and amortization, plus impairment of fixed assets.
[1] Increase compared to 2020 assessment.

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

DEAR STAKEHOLDERS,

2021 was a year with challenges and lessons, during which our digitalization processes and capacity for innovation allowed us to become more flexible and agile to adapt to continuously changing conditions.

We recognize the more than 4,000 Axtel employees who, with dedication and leadership, have contributed to the digitalization of our internal processes and with customers. We also thank suppliers for their contribution to our business, with solutions that demonstrate the outstanding role that technology plays in the productivity and evolution of our company, our customers, and their respective industries.

IN 2021, WE ADVANCED IN THE EXECUTION OF OUR STRATEGIC BUSINESS INITIATIVES AND IN THE IMPLEMENTATION OF PROJECTS **THAT ALLOW US TO EVOLVE WITH INDUSTRY TRENDS** AND THE NEEDS OF OUR CUSTOMERS

In order to increase our market share, **this year we are redefining our business model from the business market to one of high specialization,** which was successfully tested for cybersecurity services in 2021, so we decided to replicate it for high-growth business lines, such as cloud, systems integration, collaboration and managed networks.

EDUARDO ESCALANTE CASTILLO

Chief Executive Officer

We also launched ***Alestra Móvil*****, the first mobile virtual network operator (MVNO) focused exclusively on business customers in Mexico,** with which we entered the mobility market seeking to enable companies to take their fixed capabilities to a mobile device, as well as enable third-party mobile projects through our platform as a mobile virtual enabler (MVNE).

Along with these initiatives, we held talks to attract potential investors for Axtel or the Infrastructure Unit. The environment of uncertainty in Mexico and in the world, as well as adjustments in the plans of industry participants in the country, among others, have influenced the prolongation of this process.

We maintained a disciplined approach to our finances to continue to improve the capital structure. **Axtel's debt has consistently decreased over the past five years, accumulating a 41% reduction in net debt from 2016 to 2021.** Throughout the year, and supported by a solid pre-tax cash flow of $53 million dollars (result of good collection and cautious investment analysis), we managed to reduce debt by 5% and mantain the net leverage ratio at 3.1 times. In addition, during the year we obtained two committed credit lines, over three years, for about $70 million dollars.

With a stable performance for Axtel Networks, our Infrastructure Unit, and mixed results for Alestra, our Services Unit, in 2021, we reported an 8% reduction in revenue, reaching Ps. 11,389 million, while the Flow decreased 10%, reaching Ps. 3,793 million.

At Alestra, the solid 11% growth in digital transformation services was mitigated by the drop in voice revenue stemming from lower volume due to the adoption of collaboration tools and, also, by the still challenging government segment. While, at Axtel Networks, revenues increased 1%, even without fully reflecting the growth opportunities that we expect to materialize with investments in next-generation mobile networks and the start-up of the multiple data centers currently under construction in Mexico.

WE WILL CONTINUE TO FOCUS ON OPERATIONAL EFFICIENCY, **SUPPORTED BY THE DIGITALIZATION AND AUTOMATION OF PROCESSES AT AXTEL,** WHICH CONTRIBUTED TO A 7% DECREASE IN EXPENSES IN THE YEAR AND IN EXECUTION OF OUR STRATEGY, TO INCREASE OUR FLOW FORWARD.

At Alestra, we have the most complete network of global technology partners in the market, developing a strategy of technological specialization throughout the value chain, achieving around 2,300 certifications with many of those partners. We promote innovation through new projects, among which we can highlight the development of Cloud Express, a unique solution in Mexico that provides direct connectivity to the main private and public cloud providers, national and international. Likewise, in 2021, the fifth generation of the NAVE incubation program was carried out, with six participating companies and two graduates with a specialty in logistics process software and identity recognition.

At Axtel Networks, we focus on supporting operators to grow the coverage of their networks and capabilities. We launched Data Center Connect, a solution that allows any data center and cloud infrastructure in the world to connect with each other. To support the solution and deliver high-capacity wavelength services, we deploy our consistent DWDM network in preparation for the entry of new data center operators.

The solutions developed throughout the year, together with other initiatives, were reflected in the customer experience, in which we exceeded the Net Promoter Score (NPS) objectives set for 2021 by an average of 35 points.

Reaffirming our commitment to sustainable development and environmental, social and governance management, in 2021, **we reached the 71st percentile within the Telecommunications Industry globally in the S&P Global Corporate Sustainability Assessment,** improving our score by 93% compared to the previous year (date: Dec'21). Likewise, for the eleventh consecutive year, we endorsed our adherence to the United Nations Global Compact and received for the fourteenth consecutive year the Socially Responsible Company distinction.

Driving climate action, since 2020, we started the process of shutting down obsolete equipment, which will conclude in 2025. This year, we turned off 13 telephone exchanges which represented savings of Ps. 3 million and 553 tons of CO_2e avoided. While in our day-to-day operation we migrate 45% of our energy consumption to more efficient suppliers.

TOMÁS MILMO SANTOS

Co-Chairman of the Board of Directors

ÁLVARO FERNÁNDEZ GARZA

Co-Chairman of the Board of Directors

In terms of our social performance, we invested more than Ps. $13 million in training and wellness initiatives for our employees. In addition, for the first time we measured the levels of commitment perceived by our people with the company, resulting in a level of 98% commitment.

In 2022, for Alestra, we have positive expectations for the business segment, which will be driven by digital transformation and mobility services, supported by our highly specialized commercial redesign, counteracting the expectation of a decrease in voice services. At Axtel Networks, the expected investments in the deployment of next-generation 5G mobile networks and the construction of new data centers present attractive opportunities for fiber-to-tower and fiber-to-data center services.

We have opportunities to improve Axtel's business prospects in the short and long term, seeking to produce better results and thus maximize value for all of you.

On behalf of the Board of Directors, our management team and our employees, we thank you for your trust in Axtel.

SINCERELY,

Álvaro Fernández Garza
Co-Chairman of the Board of Directors

Tomás Milmo Santos
Co-Chairman of the Board of Directors

Eduardo Escalante Castillo
Chief Executive Officer

OUR BUSINESS

01

AXTEL IS A **LEADING MEXICAN INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) SERVICE PROVIDER** FOR COMPANIES, GOVERNMENT ENTITIES, AND THE WHOLESALE MARKET

We are part of ALFA, a Mexican consortium present in 19 countries in the Americas and Europe; which manages a diversified business portfolio comprising the companies Alpek, Sigma, and Axtel. ALFA owns 52.8% of the capital stock of our company.

To serve our market we are organized into two business units, Axtel Networks (Infrastructure Unit) and Alestra (Services Unit), from where we provide a wide range of technological solutions for customers, accompanying them in their evolution towards digital innovation.

AXNET | AXTEL NETWORKS

Infrastructure

SERVICE PORTFOLIO:

- Last mile access
- IP Transit
- Fiber (dark and lit)
- Fiber to tower
- Fiber to data center
- Radio spectrum
- Collocation

Customers: mobile and fixed carriers (national and international), internet giants, data centers, tower operators.

ALESTRA

SERVICES

DIGITAL TRANSFORMATION

CLOUD

- IInfrastructure and Applications as a Service
- Multicloud
- Digitalization & IoT

CYBERSECURITY

- IT and network and consulting

MOVILITY

- Enterprise MVNO

COLLABORATION

- Unified Communications / Videoconference

VALUE ADDED

INTEGRATION SYSTEMS

- DRP
- SYSTEMS INTEGRATIONS

MANAGED SERVICES

INFRASTRUCTURE BASED

STANDARD SERVICES

- Data and Internet
- Voice

CONNECTIVITY SERVICES

- Ethernet
- LAN
- SDWAN
- VPN
- WiFi

Customers: enterprise and government segments.

WE ARE THE MEXICAN COMPANY WITH **THE MOST ROBUST INFORMATION TECHNOLOGY SERVICES OFFER** WITH PRODUCTS AND SERVICES THAT ALLOW CUSTOMERS TO MAINTAIN **OPERATIONAL EFFICIENCY**

47,300 KM

FIBER OPTIC NETWORK

WE ARE **THE MOST IMPORTANT NEUTRAL INFRASTRUCTURE OPERATOR IN MEXICO, PROVIDING HIGH AVAILABILITY CONNECTIVITY** TO ALL DATA CENTERS IN THE COUNTRY

INFRASTRUCTURE UNIT

AXTEL NETWORKS

At Axtel Networks we offer infrastructure solutions based on our fiber optic network and spectrum to expand the capabilities of national and international carriers, mobile carriers and data center operators, internet giants, content, and cloud providers, that in turn serve end customers.

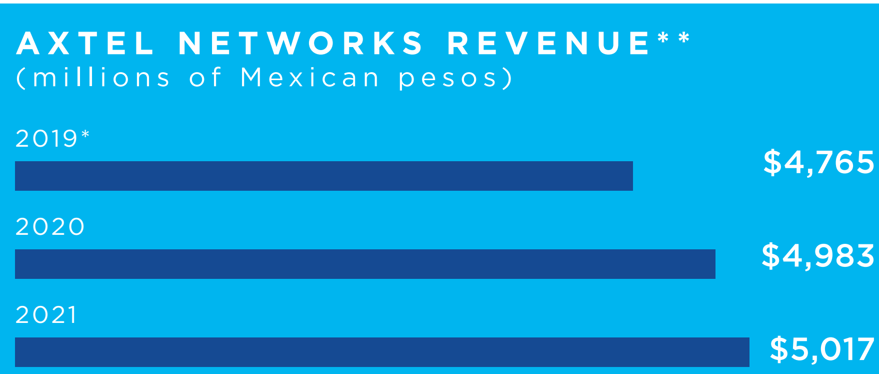
Our long-distance fiber optic network offers coverage in all regions of Mexico, providing Ethernet access to 72 cities and delivering connectivity solutions such as high-capacity wavelengths, dark and illuminated fiber links, IP Transit ports and last-mile access to the main fixed and mobile operators. Our metropolitan network offers high-density coverage in the most important business areas of Mexico, allowing the connection of companies, cell sites and data centers with the highest quality.

We remain as the number one provider in quality of service, according to the periodic reports of the major international operators, who recognize Axtel Networks as a business partner with high customer and network performance focus.

Axtel is also recognized as a key provider of fiber-to-the-tower services to mobile operators, with almost 1,200 km of fiber optic cables used to provide connectivity to cellular sites. We increased our presence covering 90% of the top A/A+ office buildings, housing the most important companies in the country, reaching a total of 433. We delivered almost 4,500 last-mile circuits, most of these through fiber optics.

During the 2021 International Telecoms Week, the annual meeting point for the global telecommunications wholesale community, we launched Data Center Connect, a solution that allows any data center and cloud infrastructure in the world to connect to each other.

WE ARE THE FIRST OPERATOR IN MEXICO **TO USE API UNDER THE MEF STANDARD**



* For comparative purposes, adjusted for divestiture of data center business.

** Includes inter-unit revenue or revenue from Alestra.

To support the solution, we deployed our coherent DWDM network in the main data centers of Mexico City, expanded it to the city of Querétaro in preparation for the entry of new data center operators that will provide services to Hyperscalers, and took it to El Paso, Texas in the United States, with the aim of enabling another high-capacity international crossing.

With this infrastructure we expanded the possibility of offering high-capacity wavelength services to interconnect locations locally and nationally, or with locations in the United States, Latin America and the rest of the world.

During the year we also implemented the application programming interface (API) under the MEF standard, a leading global association for the network, cloud, and technology provider industry. APIs allow international operators to contact us and make automated requests concerning feasibility, quotes, and structured ordering of last-mile access services, making Axtel the first operator in Mexico, and one of only 23 operators in the world, already operating in accordance with these standards.

While meeting our goal to provide world-class services, we obtained the MEF 3.0 Carrier Ethernet certification for our Access E-Line[1] and Ethernet services, which positions us before global operators as the leading infrastructure provider with excellent performance and reliability.

[1] Access E-Line is a last-mile access technology.

AT AXTEL NETWORKS WE ARE PREPARING OUR NETWORK **FOR MAJOR TECHNOLOGICAL EVOLUTIONS**

- LONG DISTANCE NETWORK
- CAPACITY AGREEMENTS (IRU)
- LEASED LONG-DISTANCE TRANSMISSION CAPACITY

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

47,300 km

OF FIBER OPTIC NETWORK

23,800 km

OF LONG-DISTANCE NETWORK

23,500 km

OF METROPOLITAN NETWORK

WE PROVIDE ADVANCED INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) SOLUTIONS FOR THE BUSINESS AND GOVERNMENT SECTORS, **WE HAVE 15 YEARS OF EXPERIENCE** IN CORPORATE INNOVATION SOLUTIONS

25 YEARS

BEING LEADERS IN DIGITAL TRANSFORMATION

SERVICES UNIT

ALESTRA

Our services are organized in three main categories from which we offer over 120 solutions:

Infrastructure-based solutions

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

Value added solutions

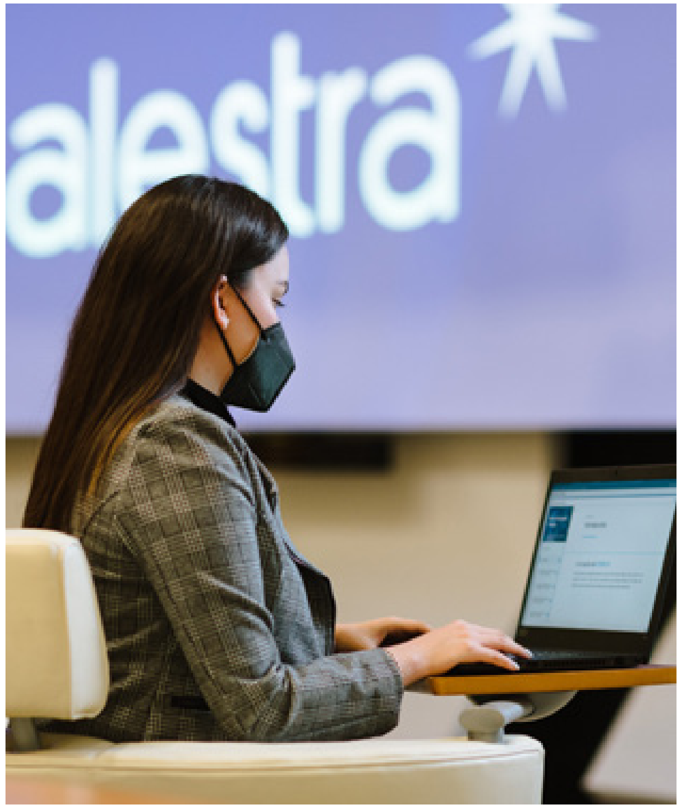
- System integration
- Managed services

Solutions towards digitalization

- Cybersecurity
- Collaboration
- Cloud
- Application management

With these solutions we manage to meet the specific needs of our customers, guaranteeing them mobility towards digital transformation, so they can achieve greater efficiency in their processes and face today's challenges.

In mid-2021 we developed **Cloud Express**, a unique solution in Mexico that provides direct connectivity to the main national and international private and public cloud providers. This high-performance connection is independent of the customer's Internet network, providing high availability and lower latency for their needs.



TO ENSURE PORTFOLIO EXCELLENCE **WE WORK IN PARTNERSHIP WITH WORLDWIDE LEADERS IN TECHNOLOGY MANUFACTURERS**

Likewise, this year we created a new line of business, **Alestra Móvil**, the first Mobile Virtual Network Operator (MVNO) in Mexico. With this business we entered the mobility market seeking to help companies move their capabilities, experiences, tools, and fixed technologies to mobile devices so they can control their operations from anywhere, guaranteeing the highest availability in the market and the highest level of security and flexibility.

Alestra Móvil is the first high availability mobility solution thanks to its multi-operator network.

We recognize that, in order to reach our end customers with solutions developed specifically for their technological needs, all Alestra's employees who intervene from pre-sales to operations must be experts. With this in mind, we developed a technology specialization strategy involving more than 650 engineers, thereby increasing the technical advisory level per service family. As a result, we achieved approximately 2,300 certifications with our various technology partners[1].

We classify our customers into two sectors: the business market and the government market.

[1] If you require details of these certifications, please check the Certifications section of this report.

BUSINESS MARKET

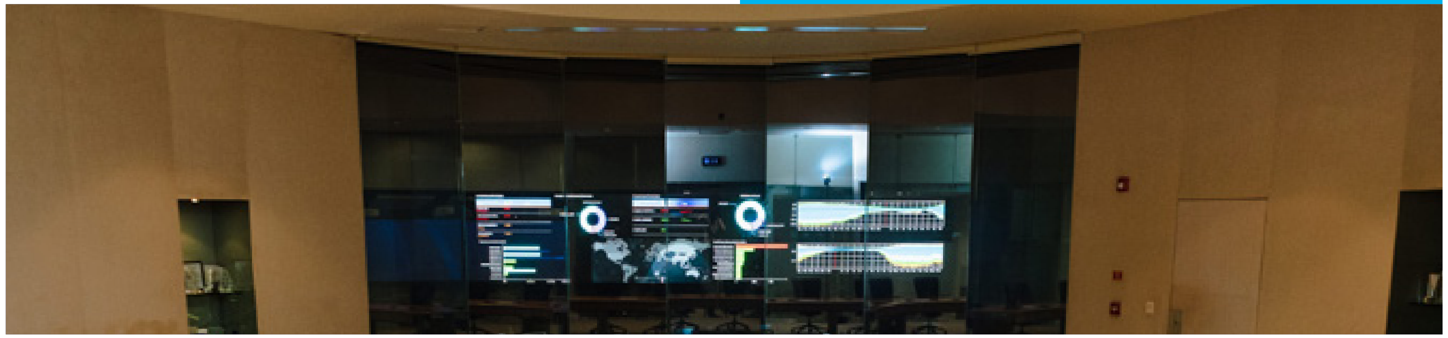
We contribute to the digital transformation of companies from various sectors that can access new technology driven business opportunities. Our portfolio consists of specific solutions based on managed network tools, collaboration, cybersecurity, systems and cloud integration, cloud, mobility, digital transformation and connectivity.

Through Alestra we serve more than 18,000 business customers, mainly in the corporate and financial sectors, and provide specialized solutions for many others.

In 2021 we showed that **#WeAreExperts** in solving challenges that arise in different regions and markets, offering traditional telecommunications services as well as a portfolio with high complexity value-added solutions and digital transformation tailored to the needs and requirements of each sector. As a result of #WeAreExperts, we reached the sales levels we had prior to the onset of the COVID-19 pandemic in 2020.

Within the business market, in the corporate sector we had double-digit growth in cybersecurity solutions, while in the financial sector, we entered into an agreement with the National Banking and Securities Commission (CNBV, acronym in Spanish) to become expert providers in digital and IT transformation in Mexico.

ALESTRA BUSINESS MARKET REVENUE
(millions of Mexican pesos)



MIXED CLASSROOMS IN A PRIVATE EDUCATIONAL INSTITUTION IN NORTHERN MEXICO

Without a doubt the COVID-19 pandemic has directly impacted educational systems at all levels in Mexico and around the world, affecting students, teachers, families, and especially schools.

Due to the need to provide continuity to schooling, avoid desertion and, at the same time, comply with security protocols established by the authorities, a private educational institution located in the north of Mexico adopted a hybrid study scheme in which only 50% of students could be in the classroom physically while the other 50% must remain remotely.

To create a similar learning and teaching experience in the remote scheme, together with Alestra, this institution remodeled its classrooms and introduced technological equipment that by means of a system of high-resolution cameras, professional microphones, high-definition televisions, and collaborative tools, facilitates the teaching of classes in both schemes.

Throughout 202, we equipped 104 undergraduate and high school classrooms with state-of-the-art technology.

TELECOMMUNICATION SERVICES AT THE WTC INTERNATIONAL EXHIBITION AND CONVENTION CENTER OF MEXICO CITY

In Mexico City we are the telecommunications service provider for events, exhibitions, conventions, concerts, and private events at the World Trade Center (WTC) and its respective venues.

We deliver a high-density Wi-Fi wireless connectivity solution with the ability to provide a platform that transforms the end-user experience, through live and on-demand video services, dynamic location-based services, support for Internet of Things (IoT) devices, and an innovative mobile platform that ensures a differentiated, secure, available, and reliable communication experience.

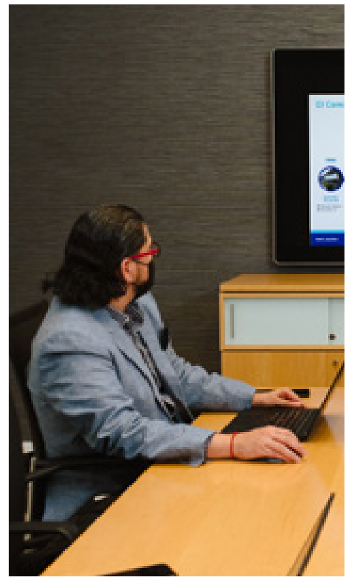
One of our responsibilities is to guarantee response times for administrative and technical requirements of 4 to 6 hours once the report or request is created, for which we have permanent staff to ensure this level of service.

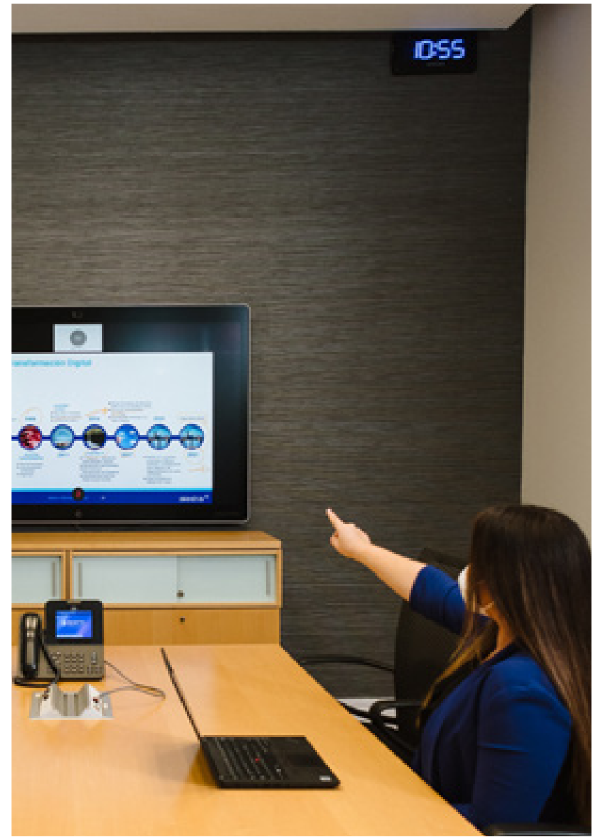
Frecuencia Alestra

In 2020 *Frecuencia Alestra* was part of Alestra eFest, the digital edition of our technology fair. Thanks to its success, this experience became the company's new showcase to present our digital transformation proposal virtually, reaching every corner of the country and becoming the most relevant national tour of the ICT industry in Mexico.

In this year's edition of *Frecuencia Alestra*, we brought together more than 2,300 technology decision makers from all over Mexico in a 100% digital format to learn first-hand about new technology solutions for the business and government markets.

During the event, we offered conferences, mock-ups and live demonstrations of more than 40 solutions for digital transformation presented by ten of the world's leading technology manufacturers: Avaya, Call IT Once, Cisco, Dell Technologies, Fortinet, Hewlett Packard Enterprise, Nutanix, Palo Alto Networks, Poly and Tenable, with the aim of introducing a variety of useful solutions for organizations to operate more efficiently in this new normal.





Sperto Centers

Technology is constantly evolving and so are we, which is why for more than a decade we have facilitated interaction between Alestra customers and our technology providers through Alestra Experience Centers (Sperto Centers). These collaborative spaces aim to identify changes in the technological environment and the needs of customers in a timely manner so Alestra can respond with customized high-tech solutions.

We currently have four Sperto Centers in the cities of Monterrey, Queretaro, Mexico City, and Cancun.

As a result of the pandemic, in 2021, Sperto Centers continued to work in a hybrid format, 25% face-to-face and the rest through Sperto Virtual with 627 sessions. Overall, we welcomed more than 800 companies and 1,300 decision-makers.

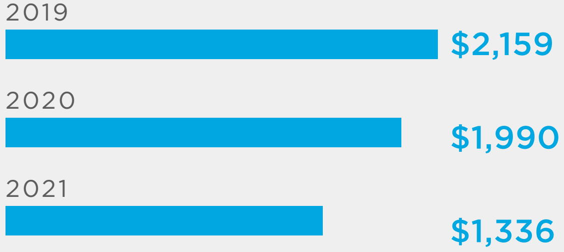
Sperto Virtual has enabled us to continue to deliver on our commitment to bring our technology solutions experts together with customers to guide them towards digital transformation.

In addition, eight webinars on technology trends, 10 "tech days" focused on individual customers and more than 40 demos with partners were organized.

GOVERNMENT MARKET

One of our commitments to Mexico is contributing and cooperating to provide the public sector with the best technology available to meet the needs of the Mexican people. To achieve this, we designed a number of ICT solutions for state and municipal governments. Despite facing challenges arising from government transitions in 2021, we focused on rethinking our services and offering solutions to provide a better service for the citizens.

ALESTRA GOVERNMENT MARKET REVENUE
(millions of Mexican pesos)



In the Federal sector we continued with the strategy of advanced connectivity services, cybersecurity and managed services, while in the State and Municipal sectors we promoted a portfolio of cloud-based products, so that the adoption of applications and infrastructure would be more agile in government processes of citizen attention, such as single window, public prosecutor offices, mobility in public transportation, storage and processing, and digital education, among others.

We also developed relevant projects in the federal sector during 2021 that allowed us to renew 800 million contracts focused on providing comprehensive solutions such as data centers and cybersecurity, among others.

SINGLE WINDOW FOR MEXICAN FOREIGN TRADE (VUCEM, ACRONYM IN SPANISH)

The single window is a comprehensive service platform for performing all import, export, and transit procedures for goods throughout the country through a single point of entry, making internal processes more efficient and improving the experience.

Single Window has been in effect since May 2016. Since then, information flows between Mexican Foreign Trade, 11 Mexican public sector institutions and private entities in the maritime, air, land, and railroad sectors have been streamlined, simplifying and encouraging electronic foreign trade operations.

In addition, the exchange of foreign trade information at the national and international level has been facilitated and promoted, such as the case of interoperability with Customs and Border Protection (CBP), the entity responsible for customs in the United States, and with the windows of Pacific Alliance countries (Mexico, Chile and Colombia). This has helped move Mexico into 2nd place in terms of Foreign Trade Single Windows (VUCEs, acronym in Spanish) in Latin America and 8th place worldwide according to the OECD.

URBAN MOBILITY FOR THE GOVERNMENT OF YUCATÁN

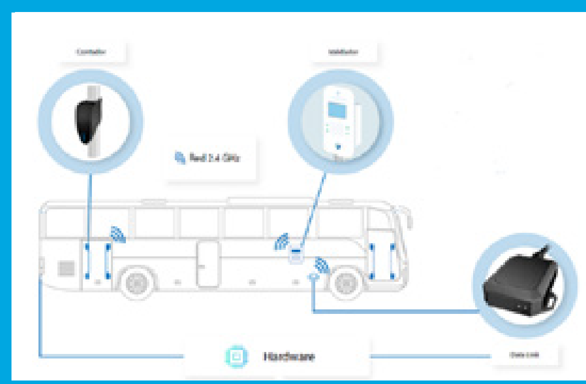
Through the Internet of Things (IoT), we developed an urban mobility project in Merida, Yucatan using technology that makes it possible to automate the frequency of public transport and other data such as the number of passengers, kilometers traveled, and video surveillance.

The objective was to implement a comprehensive system for licensed public transportation involving 1,350 buses in the city of Mérida, which would allow the transformation of urban mobility in accordance with government policies, maximization of carrier profits, and improvements to user experiences.

We developed solutions focused on meeting the different needs of the city government, the licensee, and the user. We first conducted urban mobility studies to design and plan the city's growth using Big Data & Analytics.

In terms of infrastructure, we automated the carrier's operation by assigning routes and shifts, and by installing systems for real-time monitoring of all units, passenger counting, and other controls to prevent ticket leakage and operator theft.

For the user we designed a mobile application that permits identification of the nearest routes and real-time location, thereby eliminating waiting times. In addition, we created a credentialing system that facilitates access and user payment once on the bus.



COMPREHENSIVE MONITORING AND SECURITY IN MEXICO CITY'S PUBLIC TRANSPORTATION SYSTEM

To offer public transportation users in Mexico City a safer experience, we created a digital platform that generates indicators, alerts, and information management through GPS, panic buttons, video cameras, and a real-time passenger counter supervised from a monitoring center to generate dashboards for data analysis.

This project seeks to improve not only passenger safety in public transportation, but also road safety by monitoring driving, driver performance, and speed limits, generating information on the most dangerous routes in the city. Public safety also benefits due to the recording of what happens in vehicles, operator reports through a panic button and geopositioning data for reported incidents.

One of the possibilities of this solution is that it can be scalable to other routes since it has interoperable and open technology. The goal is to equip up to 16,000 units during the first stage.

AS A RESULT OF THE PANDEMIC AND THE FACT THAT MANY SERVICE PROCESSES ARE NOW VIRTUAL, **TODAY WE ARE EVEN CLOSER TO OUR CUSTOMERS**

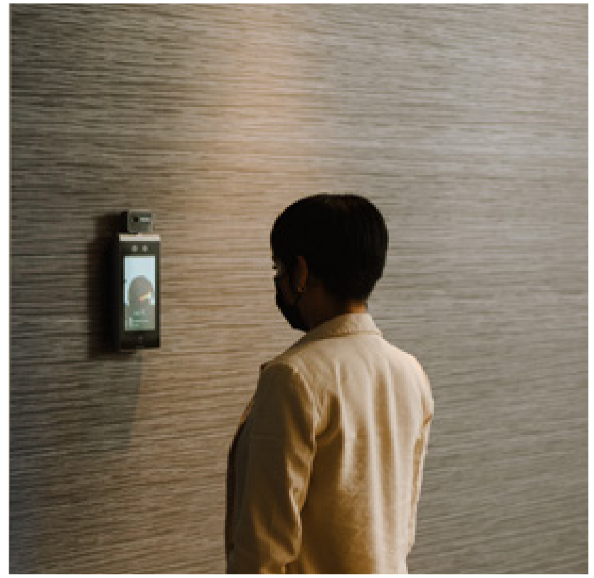
32 INITIATIVES

TO IMPROVE CUSTOMER EXPERIENCE

CUSTOMER EXPERIENCE

Regardless of the customer, at Axtel we have the necessary infrastructure to ensure that service, response times, and experience always meet expectations.

To serve both our internal and external customers we rely on technology, and this has allowed us to streamline and make many processes more efficient. We created **Vision 360º**, a portal where we consolidate the customer’s history of previous interactions and billing to provide our employees with the tools they need to have up-to-date information and therefore offer the best real-time service.



We also have **Alestra One Touch** which provides customers with a self-service portal indicating the status of events and requirements, as well as information on account statements, invoices, payment plug-ins, active services, orders placed and in progress. During the year, we made improvements to technical requirement forms and conducted satisfaction surveys for the portal as well as for interactions with the portal. For 2022 we will continue to enable further functionalities to serve customers.

With the same goal, we implemented 32 initiatives focused on improving the customer experience at all stages of the value chain of our solutions and services by automating processes and tools, ensuring greater coordination and agility of work teams, offering training and high specialization programs for employees, as well as more proactive and closer communication with customers.

CURRENTLY, **MORE THAN 5,000 CUSTOMERS ARE REGISTERED AND INTERACT WITH ALESTRA ONE TOUCH**

CUSTOMER PROXIMITY: PROACTIVE AND TIMELY DETECTION OF NEEDS

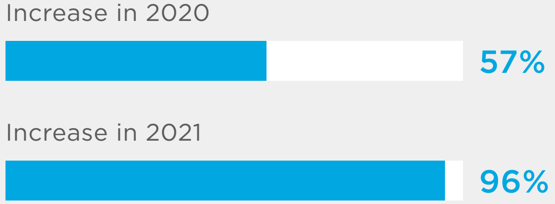
Despite the adverse panorama due to the pandemic in 2021, we decided to get closer to customers by implementing an initiative supported by digital interaction channels and focused on proactive and consultative service to promptly identify any failure, incident, or dissatisfaction with Axtel's services.

Together with the customer service agent and customers, we drew up a schedule of visits including at least three or four proactive visits per year depending on the customer's segment.

Following this strategy, we have considerably increased the number of visits per customer segment, consolidating a close and long-term relationship differentiated by the quality of our service.

AVERAGE INCREASE IN THE NUMBER OF CUSTOMER VISITS

We also increased customer satisfaction targets from 90% to 95%, achieving excellent results. This was the product of strengthening the competencies of executives in agility, lean six sigma and management 3.0, providing them with work tools that facilitate management and change the figure of Boss-Supervisor to that of Servant Leader.



INITIATIVES TO IMPROVE CUSTOMER EXPERIENCE

We created the Discovering Our Potential (DOP) Dev Team focused on developing the competencies of customer service agents.

We involved Servant Leaders in initiatives developed by the Dev Team to jointly define actions to reposition Service executives, developing and strengthening their competencies.

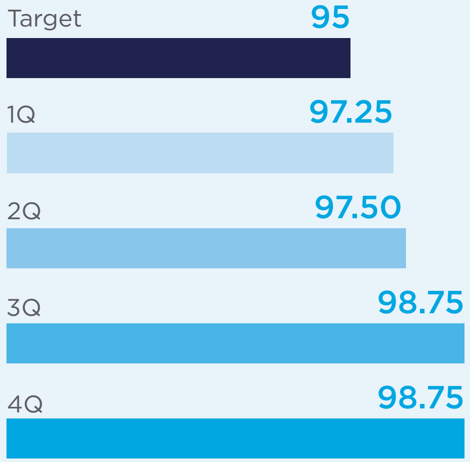
We adopted agile frameworks and the SCRUM methodology for the release of improvement initiatives by sprints.

We implemented a plan of proactive scheduled visits.

We built a model to analyze activities and actions for which we contribute real value, eliminating waste and generating a workload balance.

We analyzed the results of customer surveys when closing their requirements, where the focus is on continuous improvement.

CUSTOMER SATISFACTION



WE ACHIEVED SATISFACTION LEVELS OF **99% FOR ALL TRANSACTIONS**

REDUCTION AND CONTROL OF OVERDUE ACCOUNTS RECEIVABLE DUE TO ADMINISTRATIVE ISSUES

To improve the customer experience from another perspective, we set ourselves certain goals:

- Reducing and maintaining a healthy overdue portfolio due to unresolved administrative requirements.
- Maintaining a constant flow of payments.
- Releasing invoices with agile and automatic processes.
- Promoting timely collection in due form.

To achieve this, we organized weekly meetings involving the collections, commercial, and customer service teams, working collaboratively to correct administrative errors that could lead to problems with overdue accounts, so that the collection department could manage payments on time.

The main initiatives were the definition of metrics including: delinquencies by time periods, pending purchase orders, open administrative cases, pending agreements with new rates and customers with payment agreements.

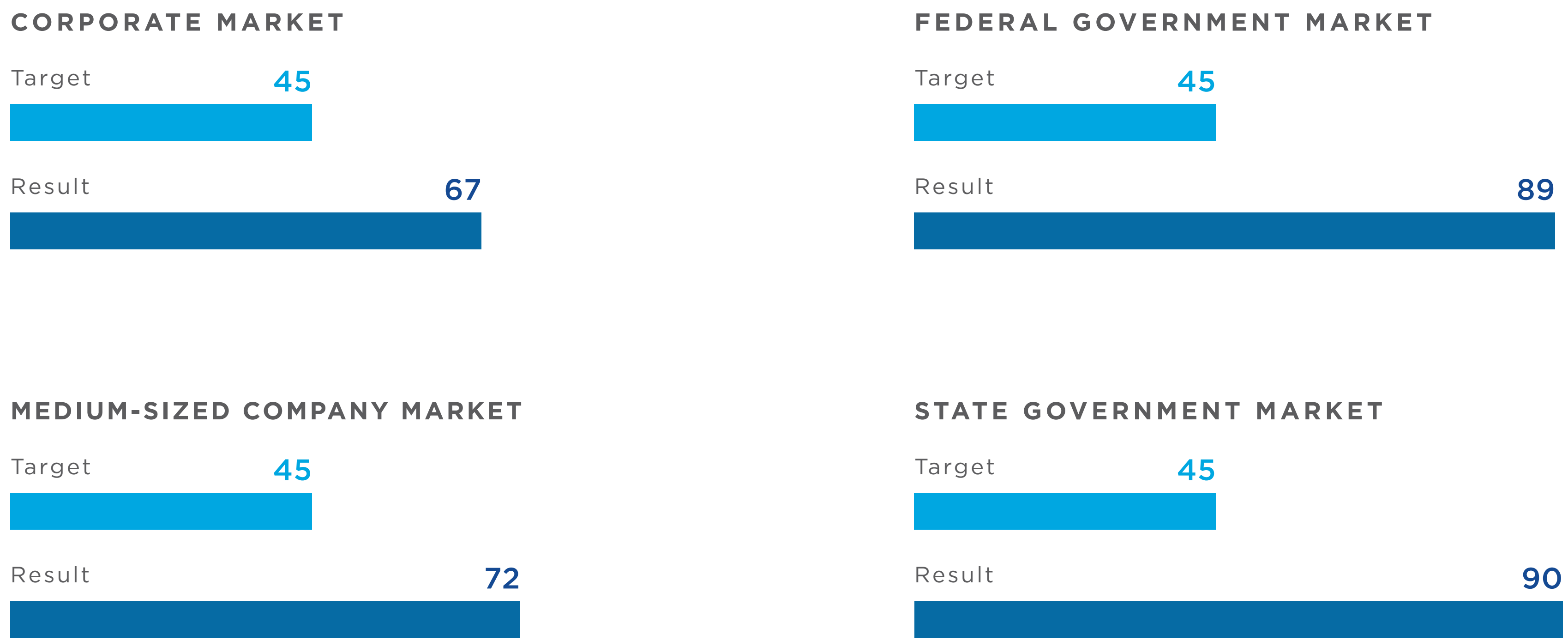
Throughout the year, we reviewed these metrics on a weekly basis to provide a detailed follow-up for each specific case, held biweekly meetings with the areas involved, and implemented a quality review of proformas, thus ensuring the correct billing of new, cancelled and changed services.

Collaborative work and the creation of specific indicators to measure initiative results were essential keys to achieving the objectives.

To understand customer expectations and their level of satisfaction, especially in response to these improvement initiatives, we continue to apply Net Promoter Score (NPS) surveys that allow us to set a satisfaction target per segment and monitor the results.

REDUCTION OF DELINQUENCIES DUE TO UNRESOLVED ADMINISTRATIVE ISSUES

NPS 2021 TARGETS AND RESULTS



AS A RESULT OF THESE INITIATIVES **WE EXCEEDED OUR NPS TARGETS FOR 2021 BY AN AVERAGE OF 35 POINTS**

2 %

OF OUR SUPPLIERS ARE CRITICAL TO OUR OPERATION

THIS YEAR WE COMMUNICATED OUR ANTI-CORRUPTION POLICIES AND PROCEDURES TO **100% OF OUR SUPPLIERS IN ALL REGIONS WHERE WE HAVE PRESENCE**

SUPPLY CHAIN

At Axtel we know the quality of the solutions we provide has a lot to do with the decisions we make concerning our supply chain, so as part of our commitment to sustainability, we seek to minimize the social and environmental impacts of our suppliers based on policies, requirements, and evaluations, while also taking into account the different requirements of our stakeholders concerning environmental, social, and governance (ESG) issues.

For this reason, we ask our suppliers to adhere to Axtel's Supplier Selection Policy and Supplier Code of Ethics while also complying with Mexican Official Standards, municipal, state, and federal regulations and laws, as well as the provisions of official agencies such as Civil Protection, the Ministry of Labor, and the International Labor Organization (ILO), among others. In this way we encourage our supply chain to be aligned with our standards of integrity and sustainability, as well as with guidelines that regulate the actions of companies in the areas of safety, hygiene, and occupational health.

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

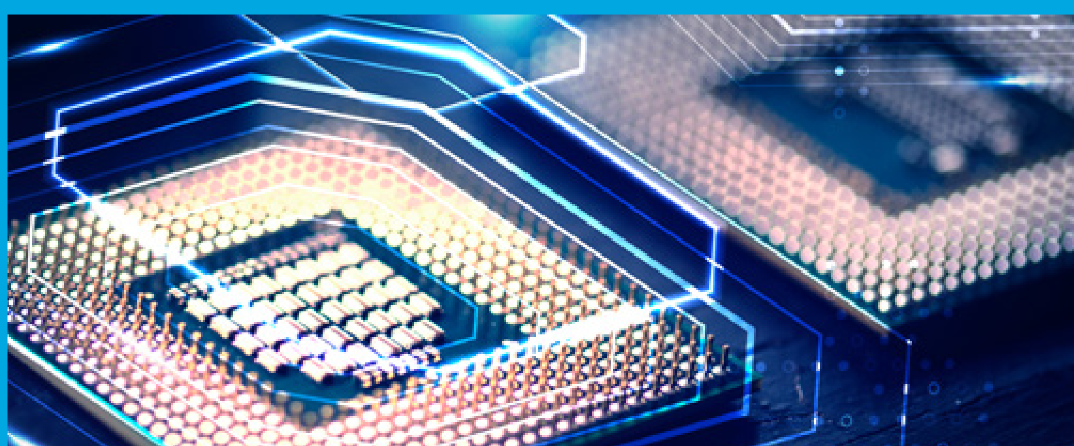
	Northern Region		Western Region		Central Region		Southern Region	
	SME	Large	SME	Large	SME	Large	SME	Large
Domestic	60	161	10	33	40	237	7	15
Foreign	-	44	-	-	-	-	-	-
Total	**60**	**205**	**10**	**33**	**40**	**237**	**7**	**15**

Note. We consider as SME companies with between 1 and 30 employees or which generate annual sales of over 4 million and up to 100 million pesos. Large companies are those with more than 30 employees and sales over 100 million pesos.

We assessed our suppliers to ensure compliance with our standards. In 2021 we assessed six suppliers on environmental issues and 65 new suppliers on social issues. We identified no real and/or potential negative environmental or social impacts with any of them.

In addition, we have the ALFA Transparency Mailbox, which is available for sending complaints or comments about their concerns or any other issues identified during business transactions.

PROPORTION OF EXPENDITURE ALLOCATED TO SUPPLIERS ACCORDING TO THEIR ORIGIN



THIS YEAR **WE ALLOCATED 30% OF TOTAL PURCHASES TO CRITICAL SUPPLIERS**

OUR SECURITY OPERATIONS CENTER AND MANAGED SECURITY SERVICES ARE ISO 31000 CERTIFIED IN RISK MANAGEMENT, WHICH ENABLES US **TO EFFECTIVELY IDENTIFY AND MANAGE RISKS FOR BUSINESS DECISION MAKING IN A TIMELY MANNER**

DATA SECURITY

We have an **Information Security Management System** governed by policies and objectives aligned with our business strategy. This model is defined in our Information Security Public Posture and is headed by General Management through the Information Security Committee.

0 COMPLAINTS

REGARDING CUSTOMER DATA PRIVACY VIOLATIONS

INFORMATION SECURITY FRAMEWORK AND PROCESSES

- **Cybersecurity culture:** employee awareness and training
- **Cyber resilience:** risk management and business continuity
- **Cyber defense:** vulnerability, identity and access management, technical compliance
- **Incident response**
- **Safety by design**
- **Reviews:** monitoring of indicators, audits, certifications, pentest
- **Continuous improvement**

We adhered to the best practices defined in international standards such as ISO 27001, ISO 22301, ISO 31000, The American Institute of Certified Public Accountants (AICPA), Service Organization Controls (SOC) for Cybersecurity, National Institute of Standards and Technology (NIST), FIRST, PCI-DSS and SSAE-18.

In addition, we conduct internal and third-party reviews, audits, vulnerabilities, penetration tests, drills, as well as working meetings with the stakeholders of each business process to identify the most relevant risks. We have therefore defined plans for their timely remediation.

CUSTOMER DATA PRIVACY

Our Privacy Notice[1] addresses Axtel's commitment to the protection of personal data and privacy in communications, one of the greatest challenges for our industry.

We ensure compliance with current regulations in Mexico and reaffirm our commitment to the right to privacy and data protection of our customers, suppliers and employees. For this reason, we take several administrative, physical, and technical security measures to help us prevent losses, damage, alterations, and leaks.

The personal data we use comes directly from the holder and/or through physical, electronic or face-to-face means, as well as from authorized public sources, and we treat it according to the type of holder. We do not transfer sensitive personal, property, or financial data for secondary purposes unless the holder gives their consent.

In 2021, we received no complaints regarding violations of customer privacy, or about data breaches or data related to personally identifiable information (PII[2]). We did not suffer any monetary losses as a result of legal proceedings associated with user privacy.

[1] Visit our Privacy Notice at: https://www.axtelcorp.mx/aviso-de-privacidad/
[2] PII. Personal Identifiable Information.

ONE OF OUR TOP PRIORITIES IS TO ENSURE THAT OUR SERVICES ARE RELIABLE AND THAT SOLUTIONS **FOR OUR CUSTOMERS SUFFER MINIMUM INTERMITTENCY DESPITE THESE ADVERSITIES**

BUSINESS CONTINUITY

Some of the risks associated with technological disruptions that we face on a daily basis are: weather events, natural disasters, cyber-attacks, and technical failures.

Regarding network issues, we are exposed to risks and opportunities such as net neutrality, paid peering and zero rating.

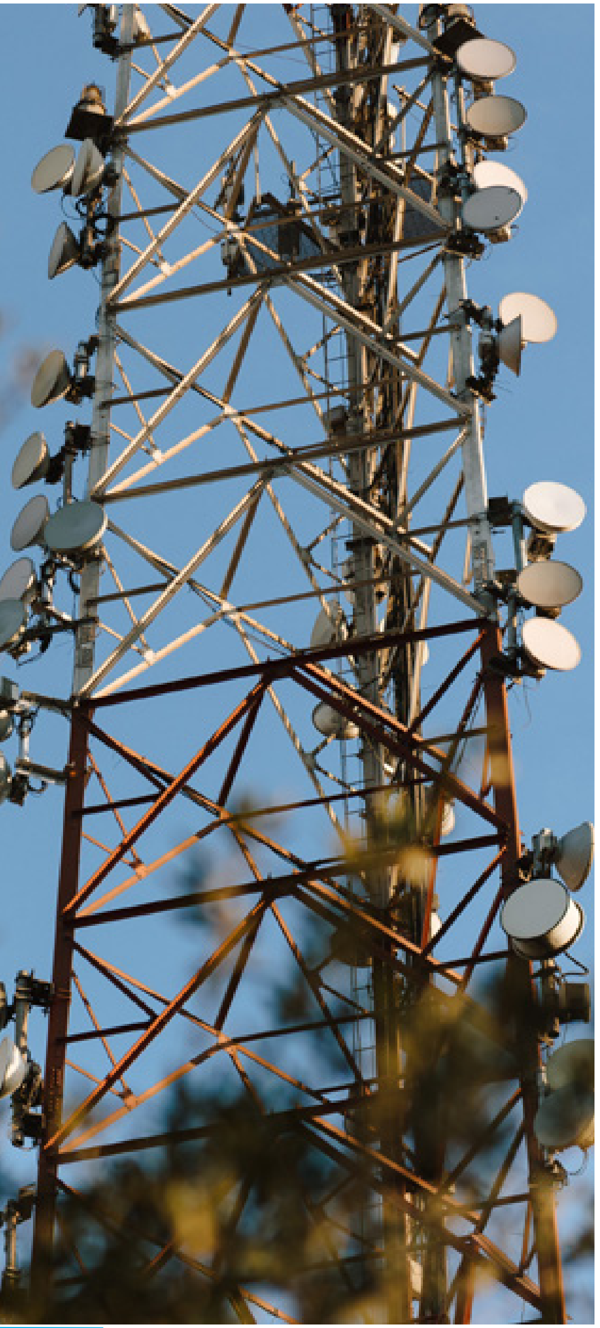
13 %

OF REDUCTION IN INCIDENTS WITH AN IMPACT ON THE SERVICE

To guarantee network reliability we have a **Business Continuity Management System** which indicates the procedures required to recover our operation in critical moments by means of strategies, plans and drills that minimize the risk of impact for the company and its customers.

We are ISO 22301 certified to manage business continuity.

Our operation is governed by a procedural scheme based on international standards such as ITIL, ISO 9001 and ISO 27001. We also have over 500 certifications for our employees, which affords us a deeper understanding of the technologies that make up the network and greater agility in overcoming challenges.

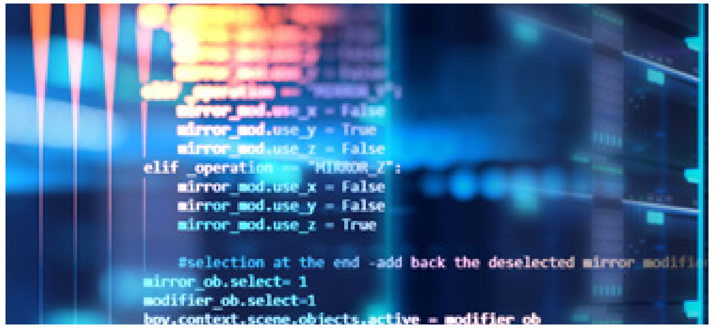


AXTEL'S INFRASTRUCTURE SUPPORTS THE **CLOUD-BASED SOLUTIONS** WE OFFER TO OUR CUSTOMERS

We set KPIs for the different factors involved in customer support processes, including customer experience, incident response time, network, and service availability, among others. We also implement control mechanisms to ensure we are prepared for the hurricane season and power failures in the public grid.

This year we recorded one performance issue and seven outages in software and IT services provided to customers, with an average duration of 3.3 hours and a total related downtime of 0.98 days.

We rely on technological tools that have helped us automate processes, making them more efficient and responding to the detection of network incidents before they occur. This is why we are immersed in technological practices that improve customer experiences and allow us to be more cost efficient.



By using a Big Data and machine learning platform, which registers all data generated by the different network platforms, rules are created to correlate variables that warn us of changes in trends that could lead to a possible failure. Through the application of certain rules, proactive incident generation is automated, and these incidents are analyzed and addressed by Network Operations Center groups to prevent them impacting services.

As a result of these efforts, proactive incidents increased 34% compared to 2020, while service impact incidents decreased 13% compared to the previous year.

CLIMATE CHANGE RELATED INCIDENTS

Aware that climate change is a reality, since 2020 we have implemented a process to address weather incidents that may impact our operations and consequently the continuity of our services.

To implement the process, we have a committee made up of different areas of the organization that is also responsible for monitoring the evolution of weather events so we can react in a timely manner in the case of critical incidents.

CRITICAL INCIDENT LIFE CYCLE

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.

01 Alert phase	**02** Transition phase	**03** Recovery phase	**04** Standardization phase
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-ups		

USING THIS PROCESS, **WE HAVE MAINTAINED AN OPTIMAL DAMAGE MARGIN** DURING CRITICAL WEATHER EVENTS

Due to the effects of climate change, the number of weather events has increased in recent years. In 2021 there were six events that impacted cities where we have infrastructure:

- **February.** Frost in the north of the country limited the energy supply at 187 network sites. During this event there was no impact on our services.
- **April.** A storm in the city of Nuevo Laredo resulted in the collapse of a tower that impacted the last-mile access of 65 customers. However, our backbone infrastructure was not impacted.
- **August.** Hurricane Grace (CAT 4) hit the states of Quintana Roo, Yucatan, Campeche, and Veracruz, affecting the access infrastructure of more than 80 customers. This damage was mitigated and services were recovered in record time.
- **August.** Hurricane Nora (CAT 1) hit the Pacific coast with minimal impact on last-mile access.
- **September.** Tropical Storm OLAF affected few last-mile accesses on the Baja California Peninsula.
- **October.** Hurricane Pamela (CAT 1) made landfall in the state of Sinaloa, resulting in last-mile access damage and outages.

In addition, this year we performed 236,000 preventive maintenance routines throughout the network to maintain availability and guarantee operations during critical events caused by climate change.

WE PROMOTE INNOVATION FROM INSIDE AXTEL AND ALSO FROM OUTSIDE, BECAUSE **WE ARE CONVINCED THAT HAVING DIVERSE IDEAS HELPS US DESIGN DIFFERENTIATED SOLUTIONS FOR OUR CLIENTS**

INNOVATION

Driven by our passion for digital innovation, this year customer needs remained our foundation for designing solutions that not only satisfy demands but also improve their experience and allow us to provide services more efficiently.

37 %

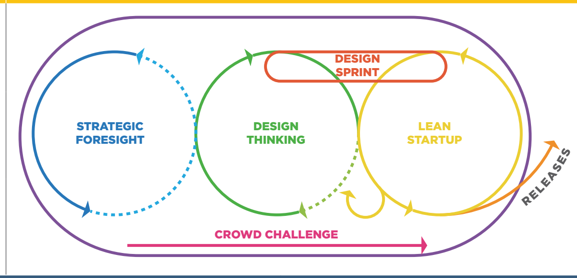
OF OUR EMPLOYEES PARTICIPATED IN INNSIGHT

AXTEL INNOVATION MODEL

The Axtel Innovation Model has allowed us to generate value for customers and employees.

Innsight

Innsight is a digital platform for innovation and continuous improvement where employees propose ideas and then comment, enrich, and assess them to receive resources for their implementation. In 2021, Innsight achieved 37% employee engagement with initiatives that contributed to the company's digitalization and automation. 73 ideas were implemented, of which 56 were for digitalization. Expected profits for the year totaled Ps. 226 million in operating expenses and CAPEX.

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	INNOVATION HUB
CORPORATE ACCELERATOR	NAVE
TECHNOLOGY LABORATORY	AXTEL LABS
ORGANIZATIONAL STRUCTURE AND INCENTIVES	
TRANSFORMATION AND INNOVATION STRATEGY	
CEO LEADERSHIP	

Innovation Hub

Innovation Hub is a physical space where creativity and ideas are structured to develop solutions. It consists of two centers, Business Innovation and Technology Innovation, and is located on the Innovation and Technology Campus (CIT). During the pandemic we continued to implement health and safe distance measures, relying on digital tools to conduct remote and hybrid sessions.

The member companies of the 5th NAVE generation received:

33 hours

OF MENTORING

42 sessions

WITH ALESTRA'S CEOS

31 customer

PRESENTATIONS

6 pilot

TESTS

NAVE

NAVE was born five years ago with the aim of encouraging innovation and developing disruptive digital innovation projects. This program has been used to promote scaleups and B2B technology startups, and we have generated business partnerships with different proposals that help us to increase customer productivity through digitalization.

The 5th NAVE generation was a 100% virtual program including six scaleups from Canada, the United States, Chile, and Mexico, two of which graduated, and we therefore created partnerships to launch their products as part of Alestra's 2022 portfolio.

The graduate companies are:

- Omnix, whose business is logistics processes and supply chain software.
- 1Kosmos, whose business is the recognition of people's identities in a cybersecurity environment.

The NAVE Accelerator has existed for five years, during which time we have...

- Accelerated 33 scaleups and 21 startups from Mexico, Chile, Argentina, the United States, Canada, and Malaysia.
- Connected over 500 employees and executives with startups and held workshops with customers to incentivize a culture of innovation.
- Launched seven products from NAVE through Alestra's portfolio.
- Connected over 100 key Alestra customers with startups.
- Developed over 24 pilot tests with Alestra customers and also within the company.

Axtel Labs

Axtel Labs is a research and development laboratory where we explore and experiment with emerging technologies such as artificial intelligence, Big Data, Internet of Things and blockchain, among others, to create digital products and services we can launch on the market. In 2021, Axtel Labs worked on the development of three new projects:

1. ARPI
   Value proposal: to help manufacturing companies identify defects in their products automatically, quickly, and accurately using computer vision and artificial intelligence technology.

1. Unbreakable Internet
   Value proposal: enables 24/7 connectivity for businesses that depend on the Internet for their operations, supporting them with a solution that intelligently combines several providers and guarantees vital business operations at any time and without interruption.

1. CODEX
   Value proposal: Document data extraction application programming interface (API) that correlates fields with data, transforming unstructured data into structured data with a very high level of confidence.

In addition to the actions involving the Axtel innovation model, we use innovation to become more flexible and agile in our internal processes and customer service. In 2021 we implemented the AGILE culture for infrastructure and operations management. This means our projects are now subject to a methodology consisting of planning, design, development, testing, repetition, and feedback until reaching the final launch of a process or solution.

To achieve this we...

- Created over 20 teams with Kanban practices.
- Trained 230 people in agility practices.
- Trained and certified eight coaches in agile practices, Kanban Management Professional and Management 3.0.
- Trained executive officers and managers in Kanban for Leaders.
- Provided over 700 hours of team mentoring to implement the agility strategy.

AS A RESULT, THE AREA RESPONSIBLE FOR ATTENTION TO FAILURES **REDUCED INCIDENT ATTENTION TIMES BY ALMOST 70%**

AXTEL DIGITAL

The biggest challenge we initially faced due to the health emergency was to adjust Axtel's operations to a fully remote system. This change was made possible thanks to the **Axtel Digital** initiative which helped us transition to a hybrid work culture, rethinking physical and digital spaces and processes to comply with health regulations and work safely. This year we focused on increasing the efficiency and agility of operations without sacrificing employee and associate safety.

Redesigning our processes has been an essential part of our new business model. We reviewed all functions of the pilot model implemented at the beginning of the pandemic in detail and analyzed feedback from our employees to make changes and increase productivity through specialized training and digital tools.

We have made adjustments to employee training to become a more intelligent, analytical, and data-driven organization. We constantly update our understanding of cutting-edge technological issues, such as automation and data mining in new digital trends.

We focus on using specific strategies to achieve digital transformation and perform specific projects to automate a large part of our operation. Thanks to tools such as Robot Process Automation (RPA) we can improve the customer experience while keeping costs to a minimum, obtaining excellent results and maintaining the budget.

WE HAVE THE MOST COMPLETE **NETWORK OF GLOBAL TECHNOLOGY** PARTNERS IN THE MARKET

CERTIFICATIONS

We have technical certifications from Amazon, Assure, ISC, ISO, Oracle, Cisco, Palo Alto, Checkpoint, Fortinet, and Avaya, among others, which represent our commitment to the issues that concern us as an industry.

CERTIFICATIONS

- ISO 9001:2015
- ISO 20000-1:2011
- ISO 14001:2015
- ISO 27001:2013
- ISO 22301:2012
- ISO 37001:2016
- ISO 31000:2018

ISO 31000

WE OBTAINED THIS CERTIFICATION FOR RISK MANAGEMENT

BEST PRACTICES

- ICREA level 3, 4 and 5
- CEEDA Silver and Bronze
- SSAE 18
- PCI DSS
- FIRST
- CMMI SVC/3
- MGCIC

PARTNER CERTIFICATIONS

- Aspect, Channel Sales Agreement
- Audio Codes Gold Partner
- Avaya Diamond Partner
- AWS, Advance Consulting Partner
- AWS, Select Direct Connect Service
- Checkpoint, Three 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, Service Provider
- Microsoft, Gold Cloud Platform
- Microsoft, Gold Cloud Productivity
- Microsoft, Gold Partner
- Microsoft, Hosting Partner
- Nutanix, Authorized Partner
- Oracle, OPN Member, License & Hardware / Cloud Solution Provider
- Palo Alto Networks, MSSP Platinum Innovator Partner
- Poly, Platinum Partner
- SAP MCaaS Partner
- Broadcom, Premier Partner
- Veeam Pro Partner Silver Reseller
- Veritas Registered Partner
- VMWare Cloud con AWS Solution Competency
- VMWare Cloud Verified

2021 PARTNER RECOGNITIONS

FORTINET

2021 Fabric Partner of the Year Latam

2021 #1 Sales Partner

Cisco Partner

2021 Service Provider Partner of the Year

2021 Marketing Partner of the Year

2021 Social Impact Partner of the Year

HUAWEI

2021 IP Ouststanding Partner of the Year

poly

2021 Poly Platinum Partner Recognition

2021 Best Financial Sector Project

vmware

2021 Vmaware Cloud on AWS Solution Competency

paloalto networks

2021 Service Provider of the Year

aws

2021 AWS Certificación Direct Connect Service

2021 AWS Advanced Consulting Partner

OUR ESG COMMITMENT

02

IN 2021 WE IMPROVED OUR RATING IN S&P'S CORPORATE SUSTAINABILITY ASSESSMENT, **REACHING THE 71ST PERCENTILE IN THE GLOBAL TELECOMMUNICATIONS INDUSTRY***

* As of December 2021.

EVERY DAY WE WORK TO CREATE INNOVATIVE, SPECIFIC, AND APPROPRIATE SOLUTIONS THAT **PROVIDE CUSTOMERS WITH ACCESS TO INFORMATION AND COMMUNICATION TECHNOLOGIES THAT HELP IMPROVE THE LIVING CONDITIONS** OF PRESENT AND FUTURE GENERATIONS IN A SUSTAINABLE WAY

Our commitment to environmental, social, and corporate governance (ESG) issues is not a recent decision. Since our foundation, as a company we have demonstrated that the responsible management of the business, our people, and resources is inherent to our philosophy, values, and the way we operate. However, we are convinced that it is increasingly relevant to report Axtel's performance on these issues since they are aligned with the most important sustainability methodologies, standards, and initiatives for our industry.

SUSTAINABILITY

The Sustainability department, led by Human Capital Executive Management, is governed in adherence to the five areas of the **Axtel Sustainability Model**, where each area of the company contributes with the most relevant activities, initiatives, and results.

This model is in line with Axtel's **Sustainability Strategy**, designed to make our vision of contributing to a more sustainable future a reality and to effectively manage the risks and opportunities we face as an organization through integrated corporate governance processes, fair labor and social practices, as well as responsible use of environmental resources.

AXTEL SUSTAINABILITY MODEL

- Environmental concern
- Employee wellbeing
- Social outreach
- Operational efficiency
- Innovation and digital culture

MISSION, VISION AND 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

Colaboration... *Our strenght*
Respect... *Our commitment*
Customer focus... *Our differentiator*
Innovation... *Our passion*
Integrity... *Our pillar*

STAKEHOLDERS

Our stakeholders are those we maintain frequent and, in most cases, bidirectional relationships with.

We have channels that help us understand the principal concerns and needs of stakeholders in a timely manner, address risks and opportunities together on issues that could be relevant to them, and which at the same time generate value for their relationship with Axtel. All of these are in addition to lobbying actions to influence public policies related to our sector.

In this way we seek to create a meaningful commitment with each of them while building and maintaining solid, long-term relationships.

Stakeholders	Our actions
Employees	We offer customized training programs based on professional development plans and implement flexible work hours and telework programs. We develop guidelines to generate work-family balance under NOM-35 and the new normal. We continue implementation of the Comprehensive Welfare program, which includes nutrition and health activities.
Customers	We prepare our network to be ready for major technological evolution, continue to develop a portfolio of services to support our customers in reactivating in the new normal, and continue to enable solutions to support hybrid work models.
Suppliers	We promote agile and timely interaction, supported by the digitalization tools we have implemented and the use of RPA (Robot Process Automation) to guarantee the necessary inputs to face operational requirements in the context of the pandemic.
Government and regulatory agencies	We carry out the registration in the list of suppliers of about 80% of the states of the country, for which we are authorized to participate in state tenders; we are also authorized to participate in federal tenders due to the fact that we are registered in the framework of consolidated purchases in more than 10 framework contracts of the Federal Government; and we register with the Ministry of Public Administration to obtain the Business Integrity badge.
Communities	We continue to help employees with medical, hospital, and funeral expenses due to COVID-19 through the internal campaign 1 PE$O EQUALS 2. We promoted the vaccination of our employees and their families against COVID and influenza; we organized virtual celebrations to commemorate anniversaries and promoted the integration of employees and their families; and also donated toys to children with cancer.
Shareholders and investors	We improved our rating in the S&P Corporate Sustainability Assessment, reaching the 71st percentile in the global telecommunications industry, and participated in the CDP in the Climate Change and Suppliers modules.

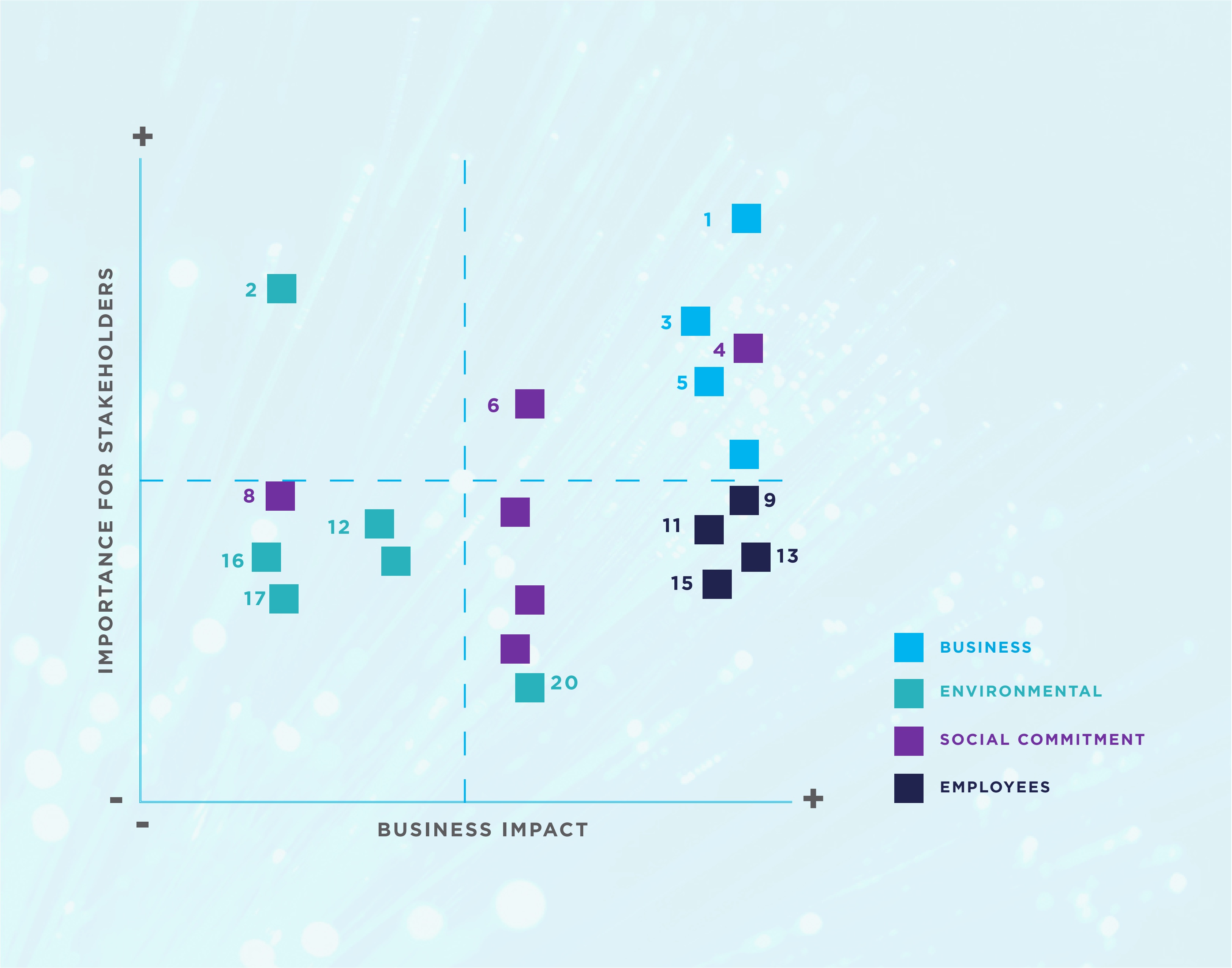
Channels, level of communication and frequency

Intranet	organizational	daily
E-mail	per brand and segment	daily
Surveys	organizational, per brand and segment	monthly
Social networks	organizational	daily
Website	organizational	daily
Advertising	by brand and segment	monthly
Press releases	organizational	quarterly
Supplier portal	organizational	daily
Financial reports	Investors Relations Department	quarterly
Annual Integrated Report	organizational	annual

MATERIALITY

In 2019 we updated our materiality exercise using the methodology recommended by Global Reporting Initiative (GRI), identifying the topics with the greatest impact for our business and considered the most important for our stakeholders. The result was seven highly relevant topics whose objectives, management, and performance are presented throughout this report.

For the following year we will update this analysis to identify the areas where we have the greatest 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.



Highly relevant material issue	Type of impact	Actions to mitigate impacts
1. Information security	Current and positive, potential and negative for our customers.	• We have an Information Security Management System. • We make our public information security posture available to any stakeholder. • We follow best practices as defined in international standards.
2. Energy efficiency	Current and positive for the environment and our operation.	• We included more renewable energies in our operations with higher energy demand. • We improved energy efficiency. • We shut down disused telephone exchanges.
3. Network reliability	Current and positive, potential and negative for our customers	• We have a Business Continuity Management System in place. • We are ISO 22301 certified.
4. Ethics, anti-corruption and values	Potential and negative for our employees, society, and human rights	• We launched Axtel's first anti-bribery system for the public sector bidding process which is ISO 37001 certified. • We provided employees with updates on the Code of Ethics. • We communicated our Anticorruption Policy to employees and trained them on this issue. • We received signatures for the Conflict of Interest and Confidentiality of Information Letter. • We requested suppliers sign the Code of Ethics. • We communicated our Anti-Corruption Policy to suppliers. • We assessed our operations on corruption-related risks. • We conducted ongoing inspections of contractors to prevent the risk of forced or child labor.
5. Customer privacy	Current and positive, potential and negative for our customers	• We make our privacy notice available to all stakeholders.
6. Environmental and social risk management in the operation	Current, potential, and negative for the environment and society	• We have a weather events committee. • We perform preventive maintenance routines throughout the network for events caused by climate change.
7. Product and service innovation	Current, potential, and positive for society and the economy	• We have different mechanisms to promote innovation, such as: the Axtel Innovation Model, Innsight, Innovation Hub, NAVE and Axtel Labs • We implemented the Axtel Digital initiative.

Note. Details of actions to mitigate impacts are described throughout the report in the corresponding topic section.

Other material topics

8. Community engagement (volunteer work and philanthropy)
9. Talent attraction and retention
10. Respect for and promotion of human rights
11. Employee health and safety
12. Strategies to combat climate change
13. Employee Commitment
14. Environmental policies
15. Employee education and training
16. Use of renewable energies in the operation
17. Emissions reduction
18. Diversity and inclusion
19. Integration of social and environmental aspects in supplier assessment
20. Waste reduction

GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

As we have done for the past 10 years, we demonstrated our commitment to a more sustainable, inclusive, and fair future for all by ratifying our adherence to the United Nations Global Compact.

The Axtel Annual Integrated Report 2021 represents our Communication for Progress (CoP), so throughout this document we report the initiatives we undertook and the performance indicators that allow us to contribute to fulfillment of the 10 principles.

Human Rights

01 Businesses should support and respect the protection of internationally proclaimed human rights.

02 Businesses should make sure that they are not complicit in human rights abuses.

Labor

03 Businesses should uphold the 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 labor.

05 Businesses should uphold the effective abolition of child labor.

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 Businesses should undertake initiatives to promote greater environmental responsibility.

09 Businesses 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.

Linked to our contribution to these 10 principles, we have identified the Sustainable Development Goals (SDGs) proposed by the United Nations to which we contribute most significantly. We identified that we directly contribute to five goals of three objectives and implement different initiatives that generate a positive impact on them.

SUSTAINABLE DEVELOPMENT GOALS

SDGs	SDG targets we focus on	Initiatives to address SDGs
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.	45% 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 labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	We generated direct employment for 4,237 men and women. We delivered more than $5 million pesos in health and safety supplies to our employees. We have safety certifications and procedures that protect the integrity of our employees' environment.
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 infrastructure neutral operator in Mexico, providing high availability connectivity to all data centers in our country.

WE CONSTANTLY LOOK FOR ALTERNATIVES AND IMPLEMENT IMPROVEMENTS IN OUR PROCESSES WITH THE AIM OF **BEING MORE EFFICIENT, SO THAT WE CAN OFFER OUR CLIENTS INNOVATIVE SOLUTIONS OF THE BEST QUALITY AND WITH A LOW NEGATIVE ENVIRONMENTAL IMPACT**

ENVIRONMENTAL COMMITMENT

To efficiently use resources, we seek to minimize the negative environmental impact of our operations while optimizing them. Our Environmental Policy is the main guideline for good performance at our premises and offices. Three specific policies emerge from this document: Waste and Residues; Energy Saving; and Water Consumption, which guide the specific use and management of each resource.

ENERGY USE

Energy is a key resource for operating in our industry and in general to meet the technological demands of customers. Our **Energy Saving Policy** specifies the actions that help us ensure efficient use of energy in accordance with industry best practices and, consequently, reduce our Greenhouse Gas (GHG) emissions.

GENERATOR CONSUMPTION (STATIONARY SOURCES)

Type	Liters	GJ
LP Gas	35,377	924
Diesel	158,916	5,987
Gasoline	4,195	139
Total	**198,488**	**7,050**

FLEET CONSUMPTION (MOBILE SOURCES)

Type	Liters	GJ
Infrastructure		
Gasoline	1,599,099	52,996
Diesel	21,731	819
Services		
Gasoline	179,067	5,934
Diesel	3,128	118
Total	**1,803,024**	**59,867**

ELECTRICITY CONSUMPTION

Tipo	MWh	GJ
Conventional	40,636	146,289
Normal cogeneration	15,224	54,806
Efficient cogeneration	47,526	171,094
Renewable photovoltaic	5,360	19,296
Total	**108,746**	**391,485**

We measure the energy efficiency of our data centers using Power Usage Effectiveness (PUE), an indicator that measures data center energy performance by calculating the proportion of energy used by the data center facility compared to the energy delivered to the IT equipment.

WE RECORDED AN AVERAGE PUE OF 1.88 AT OUR DATA CENTERS

PUE PER DATA CENTER

Data Center	PUE
Monterrey CIT DH1	1.64
Monterrey CIT DH2-3	2.00
Guadalajara	1.99

TELEPHONE EXCHANGE SHUTDOWN

In 2020 we began the process of shutting down telephone exchanges with obsolete equipment. This process will end in 2025. We rely on the help of specialized suppliers to take charge for the de-installation, the purchase of obsolete equipment, and extraction of raw materials and wiring for reuse or recycling.

In addition to generating an environmental benefit due to the tons of carbon dioxide that will no longer be emitted, this initiative represents significant savings for the business; in 2021 alone we saved more than Ps. 3 million pesos.

2020

6 POWER PLANTS

WERE SHUT DOWN, REPRESENTING ECONOMIC SAVINGS OF **PS. 2.3 MILLION AND PREVENTING THE GENERATION OF 414 TONS OF CO_2e**

2021

13 POWER PLANTS

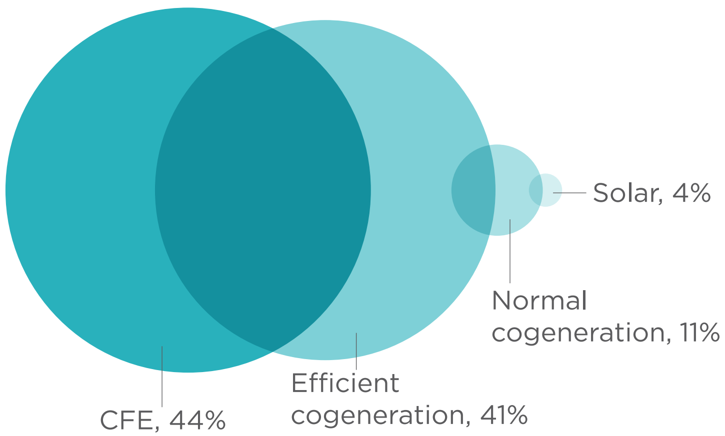
WERE SHUT DOWN, REPRESENTING ECONOMIC SAVINGS **OF PS. 3 MILLION AND PREVENTING THE GENERATION OF 553 TONS OF CO_2e**

MIGRATION TO CLEAN ENERGY (KWH)

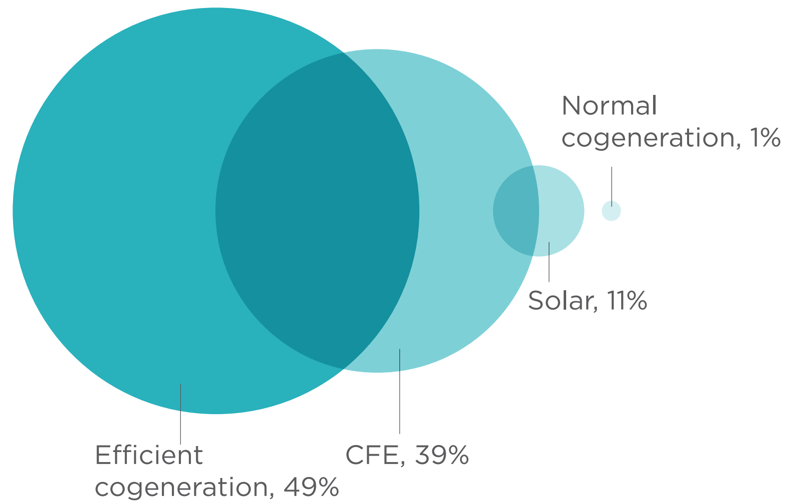
Note. Data for 2022 and 2023 are estimates.

AXTEL'S ENERGY MIX ESTIMATES

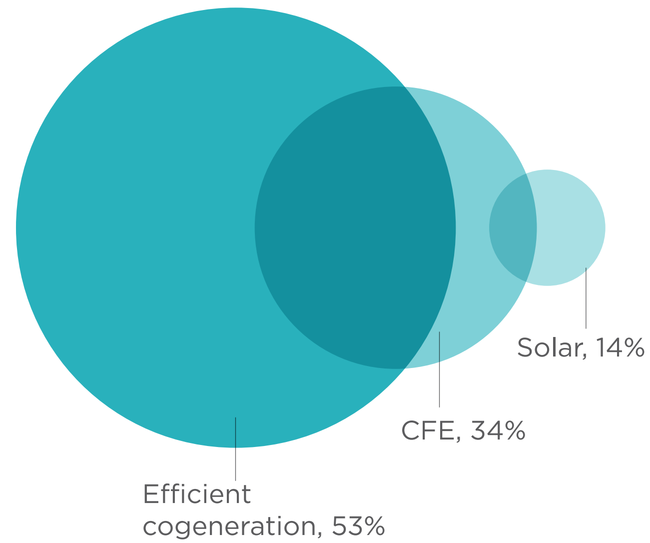
Consumption 2021 (kWh)



Estimated consumption 2022 (kWh)



Estimated consumption 2023 (kWh)



By 2023 we aim for 72% of our energy consumption to come from clean sources. In 2021 we migrated 56% of our consumption to more efficient suppliers.

In 2021 we also began the process of migrating to emission-neutral suppliers, i.e. suppliers that do not generate CO_2 emissions, achieving the target of 4% of our total consumption. The goal for 2022 is to reach 11% of total consumption with neutral emissions as well as to continue with the migration towards more efficient generators, seeking to reduce the supply of less efficient generation to 39%.

IN 2021, **45% OF AXTEL'S ENERGY CONSUMPTION CAME FROM CLEAN** OR RENEWABLE SOURCES

TOTAL ENERGY CONSUMPTION (GJ)

2019: 617,251

2020: 553,759

2021: **400,339**

Electricity: **391,485**

Generators: **7,050**

Fleet: **1,803**

ENERGY INTENSITY

48.28 GJ/MMDP

GJ/MMDP CONSIDERING PS. 12.784 BILLION IN REVENUES AND 617,251 GJ

44.81 GJ/MMDP

ONSIDERING PS. 12.356 BILLION IN REVENUES AND 553,759 GJ

35.15 GJ/MMDP

CONSIDERING PS. 11.389 BILLION IN REVENUES AND 400,339 GJ

THIS YEAR, 35.15 GJ WERE CONSUMED PER BILLION PESOS IN REVENUES

WE VOLUNTARILY REPORTED OUR EMISSIONS TO THE **CDP IN THE CLIMATE CHANGE AND EMISSIONS MODULES**

GREENHOUSE GAS EMISSIONS

This year, for the second time, we prepared our greenhouse gas (GHG) emissions inventory. This is used to identify and report direct and indirect emissions resulting from our operations to measure and improve the way we manage our environmental performance.

In 2021 our total GHG emissions were reduced by 28%, mainly due to the shutdown of 13 obsolete telephone exchanges and the reduction of employee commutes under the new normal.

Scope 1 (direct emissions)

Scope 1 emissions correspond to fuel consumption and energy generation at our premises (stationary sources) and fleet (mobile sources).

This year, direct Scope 1 emissions represented 11% of the total emissions of our operations, they increased compared to 2020 due to the fact that during 2021 there were electricity cuts caused, for the most part, by climatic events unrelated to our operation. Therefore, we consumed a greater amount of fuel in emergency plants in order to guarantee business continuity.

SCOPE 1 EMISSIONS (TON CO_2e)

2019: 3,324

2020: 4,635

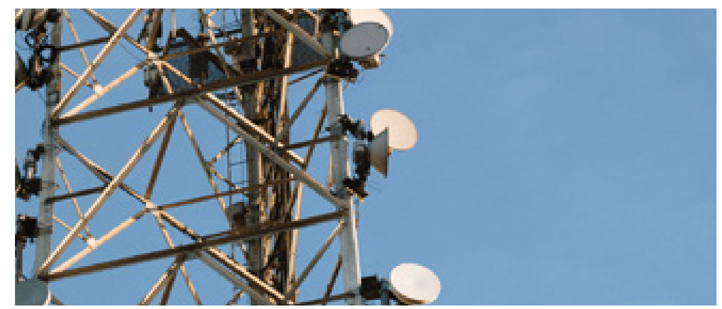
2021: 4,834

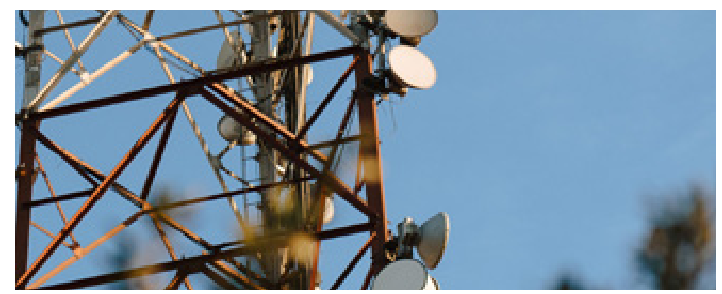
SCOPE 1 EMISSIONS (MOBILE SOURCES)

Type	Ton CO_2e
Infrastructure	
Gasoline	3,822
Diesel	62
Services	
Gasoline	428
Diesel	9
Total	**4,321**

SCOPE 1 EMISSIONS (STATIONARY SOURCES)

Type	Ton CO_2e
LP Gas	58
Diesel	445
Gasoline	10
Total	**513**



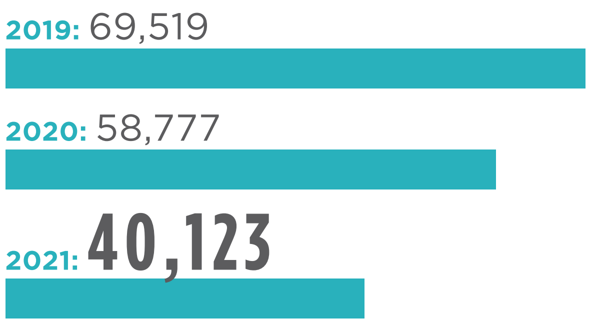


Scope 2 (indirect emissions)

Scope 2 emissions are derived from the purchase of electricity for use at our premises and offices. This year, Scope 2 indirect emissions accounted for 88% of total reported emissions.

In this scope we had a considerable reduction in the emissions generated, mainly due to the increase in energy consumption from renewable sources.

SCOPE 2 EMISSIONS (TON CO_2e)



Scope 3 (indirect emissions)

Scope 3 emissions include all emissions from our value chain, that is, those indirectly generated. The most relevant sources come from the business trip flights made by employees and gasoline coupons given to executives as a benefit. These emissions represent 1% of total emissions from our activities.

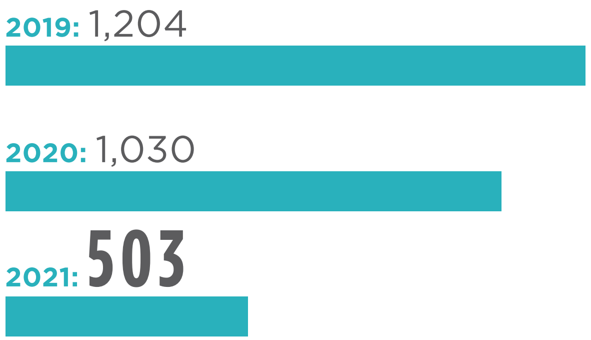
Travel

In 2021 our employees made domestic and international trips that together accumulated 1,196,926 kilometers, resulting in indirect emissions of 202 tons of CO_2e.

Coupons

We quantified the emissions from gasoline coupons given to executives. This year, these emissions resulted in 301 tons of CO_2e.

SCOPE 3 EMISSIONS (TON CO_2e)



Emissions intensity

This year, 3.50 tons of CO_2e were emitted for each GJ consumed, considering 45,460 tons of CO_2e for total energy consumption.

2019

5.79 TON CO_2e /BP

CONSIDERING PS. 12.784 BILLION IN REVENUES AND 74,047 TON CO_2e EMITTED

2020

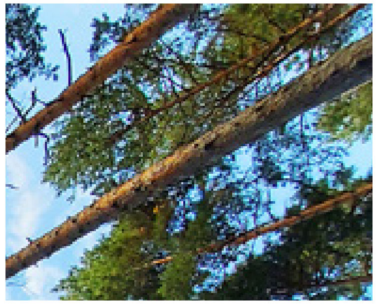
5.21 TON CO_2e /BP

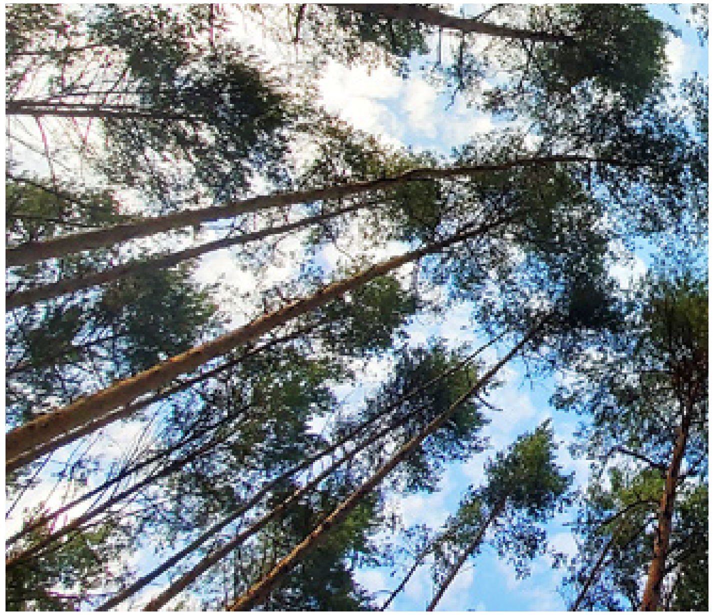
CONSIDERING PS. 12.356 BILLION IN REVENUES AND 64,441 TON CO_2e EMITTED

2021

3.99 TON CO_2e /BP

CONSIDERING PS. 11.389 BILLION IN REVENUES AND 45,460 TON CO_2e EMITTED





Notes on emissions calculation

> We use 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 a fundamental element for our operations, it is a vital resource that has been revalued in recent years. We therefore promote its efficient use and conservation among employees through our **Efficient Water Use Policy.**

All water we consume comes from the municipal supply in the entities where we do business and is discharged using this same process. In 2021 we did not record any impact on sources due to our water consumption.

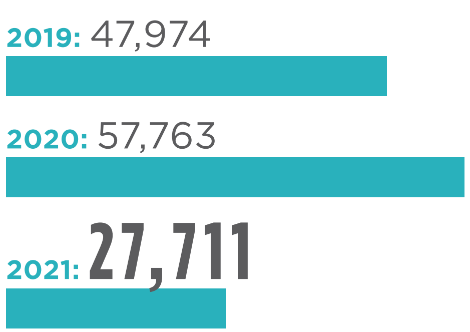
In Mexico City we have 571 m^3 of water stored in cisterns for fire hydrants, restroom services, and precision air equipment.

WATER SUPPLY PER SOURCE (m^3)

Municipal supply

27,711 m^3

WATER CONSUMPTION (m^3)



WASTE HANDLING AND DISPOSAL

We manage waste in accordance with our **Waste Management Policy**[1], Mexican Official Standards, and the country's current environmental legislation.

Most materials we consume are used in our operational functions and not in the delivery of services since our technological solutions are intangible.

Both hazardous waste and lead acid batteries are stored in a temporary warehouse and are sent for proper disposal and confinement using the services of specialized suppliers.

Throughout the course of the year we sent 194,342 kilograms of paper and 6,172 kilograms of cardboard for recycling, a considerable increase with respect to previous years due to the purging of physical information in archives and warehouses.

WASTE DISPOSAL (TONS)

	2018	2019	2020	2021
Recycling	32	124	74	201
Landfill	623	600	782	701
Confinement	61	59	10	0.8
Total	**716**	**783**	**866**	**903**

Note. In addition, we sent 184 liters of hazardous waste such as paint, thinner, and oils to confinement.

[1] See our Waste Management Policy at: https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_Manejo_y_Desecho_de_Residuos_.pdf

WE DELIVERED ON OUR MISSION **TO ENABLE ORGANIZATIONS TO BE MORE PRODUCTIVE THROUGH DIGITALIZATION**

SOCIAL COMMITMENT

During this year, our employees once again demonstrated their ability to be flexible, resilient, and committed to a largely digital and remote work environment, confirming that digital transformation exists and forms part of Axtel's new reality.

NUESTRO EQUIPO

Our new work culture represented many challenges for the team, some of which have been a constant since 2020, such as stress caused by the pandemic, the pressure to stay at home, the lack of social interaction, and continuing to serve as fathers, mothers and teachers. These new situations prompted us to implement changes in processes, infrastructure, and facilities to provide employees with the certainty that, should they need to come to the office, the facilities would be ready and safe to receive them.

NUMBER OF EMPLOYEES BY TYPE OF WORKDAY AND GENDER

Full-time employees

4,234

Women	Men
1,106	3,128

Part-time employees

3

Women	Men
1	2

NUMBER OF EMPLOYEES BY TYPE OF CONTRACT AND REGION

Region	Permanent employment	Temporary employment
Central Mexico	1,385	64
North	2,391	118
West	262	17
Total	**4,038**	**199**

EMPLOYEES BY AGE AND GENDER

Age	Women	Men	Total
Under 30	228	446	**674**
Between 31 and 50	809	2,258	**3,067**
Over 50	70	426	**496**

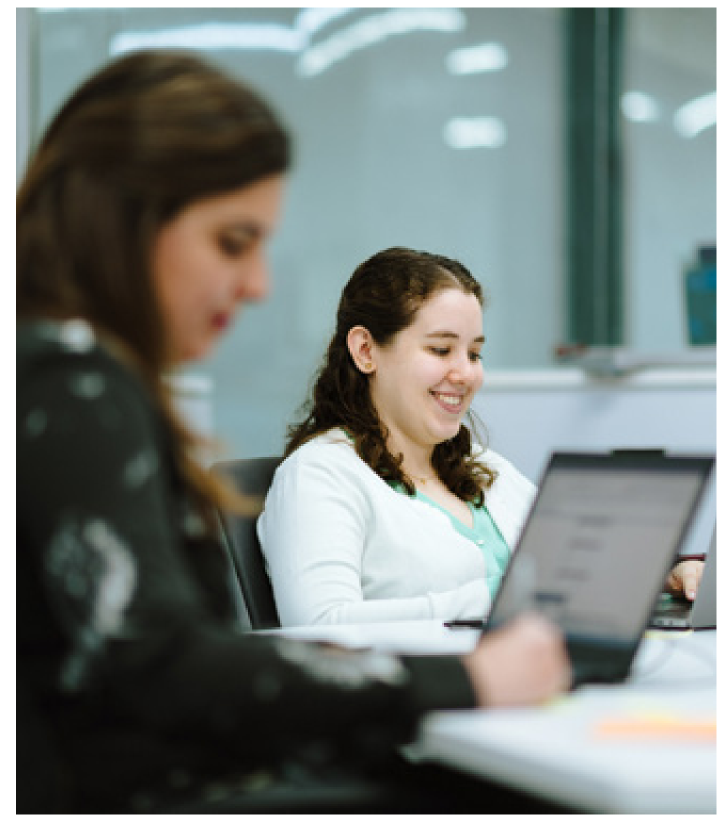
EMPLOYEES ACCORDING TO ORIGIN

National	Foreign[1]
4,220	17

None of our employees are currently working outside of Mexico.

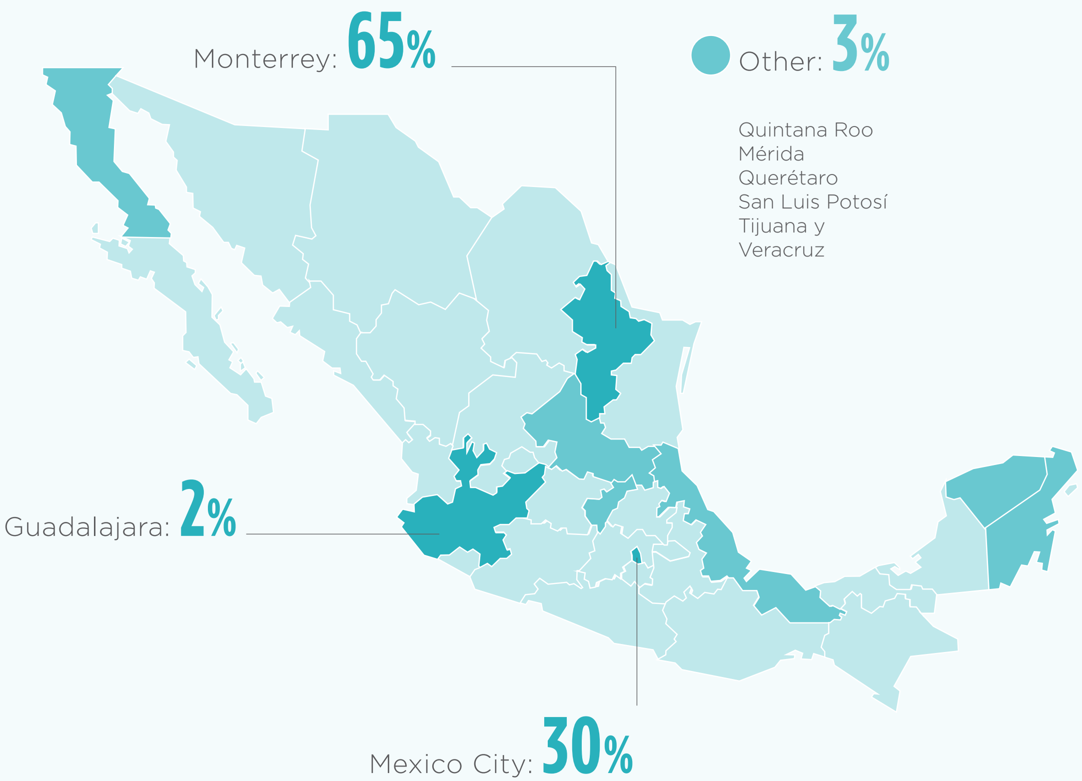
[1] Some of our employees are from Colombia, Argentina, Ecuador, Venezuela, Cuba, Chile, Haiti, Peru, Honduras, and Guinea.

AT AXTEL NO EMPLOYEES ARE HIRED WITH NON-GUARANTEED HOURS AND ALL WORKERS ARE EMPLOYEES OF THE COMPANY



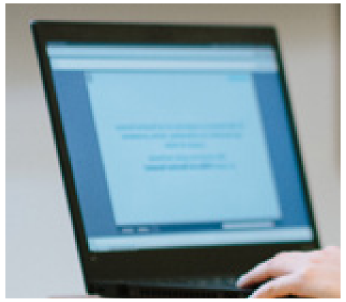
EXECUTIVES RECRUITED WITHIN THE LOCAL COMMUNITY

Executives are personnel in managerial or higher positions.



EMPLOYEES BY JOB CATEGORY AND GENDER

Job category	Women	Men
Chief Executive Officers	-	7
Executive Officers	5	37
Managers	17	105
Middle management	42	205
Employees	1,007	2,654
Analysts	36	122
Total	**1,107**	**3,130**



EMPLOYEES BY DIVERSITY CATEGORY

Diversity category	Number	Percentage of group to which they belong	Percentage with respect to total
Men	3,130	-	73.9%
Women	1,107	-	26.1%
Disability	2	-	0.05%
Women in executive positions	5	10.2%	0.1%
Women in management positions	17	13.9%	0.4%
Women in sales-generating positions	136	12.3%	3.2%
Women in science, technology, engineering, and mathematics (STEM) positions	282	25.5%	6.7%

Note. In the case of women in sales-generating positions, female employees in sales executive positions were considered while for STEM positions those related to innovation, research and development were considered.

MANAGEMENT TEAM BY AGE AND GENDER

Job category	Women aged 31 to 50	Men aged 31 to 50	Women over 51	Men over 51
General manager and executive officers	-	-	-	7
Executive Officers	3	24	2	13
Managers	17	73	-	32

Despite the complex economic environment faced in 2021, our salaries remained competitive compared to the market. The ratio of the average base salary to the general minimum wage as defined by the Ministry of Labor and Social Welfare (STPS, acronym in Spanish), excluding executives and managers, is 1.8, and the corresponding ratio of women's salaries to men's salaries is 1.2. The ratio of total annual compensation was 33.6 and the ratio of percentage increase in total annual compensation was 0.8.

AXTEL OFFERS **THE SAME STARTING SALARY TO MEN AND WOMEN** WITHOUT GENDER DISTINCTIONS

Similarly, we meet our pension plan obligations through the *Cuenta Crecer* retirement plan, with Axtel contributing 4% of each employee's salary.

We also continued recruitment and selection processes and this year 454 people joined our staff.

NEW HIRES BY GENDER

Women	Men
118	336

THIS YEAR 94 PEOPLE **WERE RECOGNIZED** FOR 25 YEARS WITH THE COMPANY AND 109 FOR A DECADE OF SERVICE

NEW HIRES BY REGION, GENDER AND AGE

Region	Age					
	Under 30		31 to 50		Over 50	
	Women	Men	Women	Men	Women	Men
Central Mexico	8	39	33	82	1	7
North	31	78	37	89	1	8
West	2	16	5	16	-	1
Total	**41**	**133**	**75**	**187**	**2**	**16**

New hire rate in 2021: 10%.

TURNOVER BY GENDER

Women	Men
132	330

TURNOVER BY REGION, GENDER AND AGE

Region	Age					
	Under 30		31 to 50		Over 50	
	Women	Men	Women	Men	Women	Men
Central Mexico	19	24	40	82	3	12
North	24	70	35	90	6	21
West	-	9	5	19	-	3
Total	**43**	**103**	**80**	**191**	**9**	**36**

Turnover rate in 2021: 10%.

As part of a process of updating and renewing equipment, which involved the replacement of computers, monitors and other work tools in excellent condition, we offered 777 items of equipment for sale to our employees at costs between 50% and 75% lower than their market value. We implemented this initiative not only to benefit employees but also to extend the useful life of these computers.

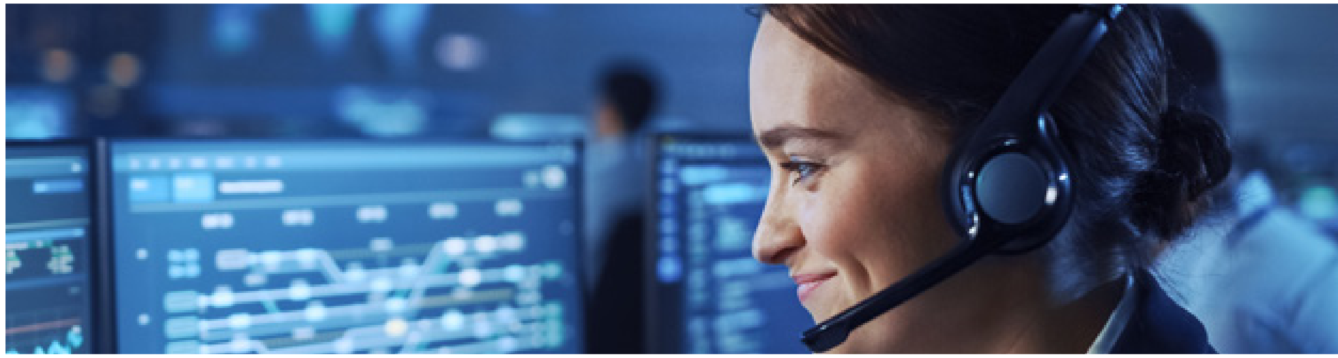
Without the enthusiasm, dedication, commitment, and effort of our employees we would not be in a position to deliver the solutions so highly valued by customers. This is why we offer all employees benefits that exceed those established in Mexican law, making Axtel the best place for professional performance.

OF THE 462 PEOPLE WHO LEFT AXTEL FOR DIFFERENT REASONS, **250 LEFT VOLUNTARILY**

AXTEL BENEFIT PLAN

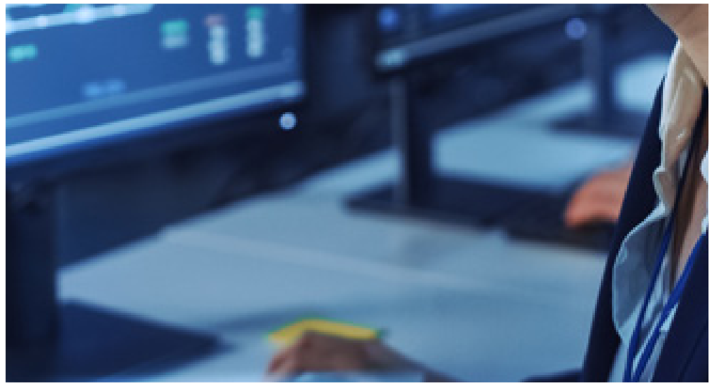
- Double Christmas bonus days
- Major medical insurance with COVID-19 coverage
- Life insurance
- Savings plan
- 20 days leave for personal matters
- Disability or invalidity coverage
- Maternity and paternity leave

We also granted maternity leave for 50 employees and paternity leave for another 20 employees in 2021, of which 96% and 100% respectively returned to their activities at the end of their leave.



As part of the *Visiónate* (See Yourself) program aimed at executives close to retirement age, we offer training through talks and workshops to simplify the transition to this new stage in their lives. In 2021 three executives took advantage of this benefit.

In addition, to facilitate the remote work that is already a reality for Axtel, we delivered Phone Systems equipment, which is telephony by Teams, to 579 employees who need to make collection, recruitment, and customer service calls as part of their job, without the need to use their home phone or personal cell phone. Furthermore, we delivered 955 headsets to employees working in these same areas.



HEALTH AND SAFETY

The overall health of employees, regardless of whether they work at home or in the field, is a priority for us.

We operate a health and safety management system based on the Occupational Safety and Health Self-Management Program (PASST, acronym in Spanish) in accordance with the Mexican Official Standards of the Ministry of Labor and Social Welfare (STPS). This program determines how we address these issues with employees and includes such activities as training, incident recording, implementation of preventive measures, medical supervision, and control.

Furthermore, to provide follow-up on safety measures, manage possible health crises within the company, inspect workspaces, and manage investigations related to work-related accidents, we have a Safety and Hygiene Committee which represents 100% of our employees as well as a Safety Committee and Civil Protection Brigades.

To eliminate hazards and minimize occupational risks we use safety guidelines for the identification and evaluation of health, social, and environmental risks:

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

When an occupational incident occurs we follow a process to identify improvements in the safety and health management system to prevent future incidents.

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

02 A report and investigation form is completed by the line manager in conjunction with Occupational Safety and Health OSH.

03 Causes and risk factors are detected.

04 Recommen-dations are issued.

05 A control is implemented and followed up with recommendations focused on training, the work environment, facilities, processes, machinery and/or equipment.

OUR HEALTH AND SAFETY MANAGEMENT SYSTEM IS **FREQUENTLY AUDITED TO ENSURE WE COMPLY WITH STPS REQUIREMENTS**

THIS YEAR, 103 BRIGADE MEMBERS PARTICIPATED IN A CAMPAIGN **TO IMPROVE THEIR KNOWLEDGE OF FIREFIGHTING, FIRST AID, AND EVACUATION MEASURES.**

In addition, we provide employees with access to medical and health care services:

- Talks with specialists
- Agreements with laboratories, medical offices and health care clinics
- Consultation and medical guidance (cancer, prostate, diabetes)
- Flu vaccination campaigns
- Tetanus vaccination campaign
- Consultation with a nutritionist
- Psychological counseling
- Preventive check up of health indicators (IMSS)

In response to requirements derived from the pandemic, in 2021 our Contingency Committee continued to meet every 15 days to review support requests for employees affected by the disease and to update preventive measures for implementation in the business.

Although most employees continue to work remotely, approximately 15% of them maintain equipment and installations in the field that, due to the nature of the activity, cannot be migrated to a remote scheme.

Since the beginning of the pandemic in 2020 we have provided all of these employees with sufficient tools and measures in compliance with safety standards so they can perform their work and minimize exposure to the risk of contagion.

We invested $5,086,410 pesos in safety supplies such as face shields, masks and antibacterial gel, COVID tests, sanitization, and medical equipment.

Throughout the year, governments in Mexico and much of the world activated vaccination campaigns against COVID-19 and Axtel promoted the vaccination of our workforce. At the end of the year, 3,426 of our employees in Nuevo León had received at least the first dose of a vaccine against the virus.

In addition, we participated in cross-border vaccination campaigns, supporting the transportation of 50 employees to the U.S. border to receive vaccinations there.

We also organized two influenza vaccination sessions with the participation of 1,685 employees and their families.

Since 2020 we have created the internal page **Juntos ante el COVID-19 (Together against COVID-19)** where we post informative and awareness-raising material on health, hygiene, safety, and prevention issues. In addition, employees can use this page to report COVID infection and any vaccination dose received.

As an additional benefit, we have agreements with educational institutions so employees can receive psychological support and therapeutic processes if required.

The COVID-19 Access Plan and Code of Conduct, a document employees signed in 2020 to be able to enter our facilities and which serves to ensure they are aware of and committed to putting the phrase *You take care of me, I take care of you* into practice remained in force this year.

At Axtel the health of employees goes beyond preventing accidents, injuries, or contagion and is aligned with requirements to comply with NOM 035 Psychosocial Risk Factors in the Workplace. Through the **Integral Welfare** strategy we implemented a series of guidelines to create healthy work environments, free of any form of violence, abuse, retaliation and/or discrimination, and with a balance between work and family.

OUR **SECURITY PROTOCOLS AGAINST COVID-19, PLUS THE SPECIFIC ACTIONS OF EMPLOYEES,** CONTRIBUTED TO US RECORDING THREE CONSECUTIVE WEEKS WITHOUT ANY CASES OF CONTAGION

INTEGRAL WELFARE HAS THREE DIMENSIONS:

Health. With guidelines and protocols on a variety of topics such as NOM 035 psychosocial risk factors, attention to traumatic events, COVID-19 prevention, and attention to mental health care we offered informative talks on nutrition, anxiety, emotional intelligence, insomnia, and bereavement during the course of the year with the participation of 2,798 employees.

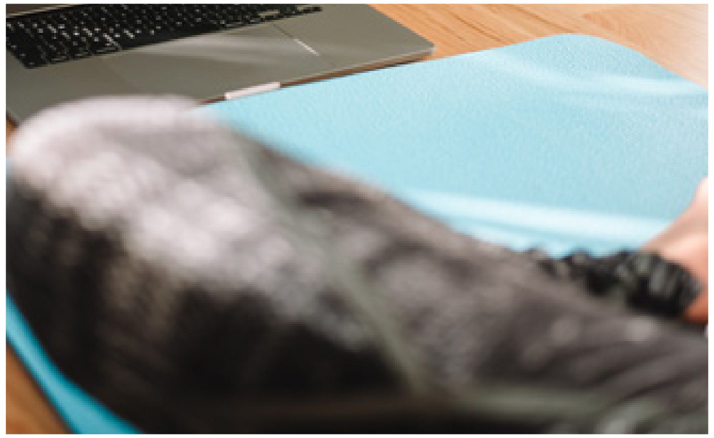
Professional. With Axtel Digital's institutional programs, the Axtel Education Fair and webinars with experts, as well as virtual events such as the 10-year seniority recognition and the year-end celebration.

Balance. With workshops on healthy desserts, personal finances, skin care, and healthy aging, with the participation of 1,044 employees. There were also online yoga and pilates classes for which 2,190 employees enrolled.

We invested

$1,529,324 IN WELFARE

AND RECREATION INITIATIVES



As we do every year, health and safety courses were offered to employees as well as other specific courses for certain job positions.

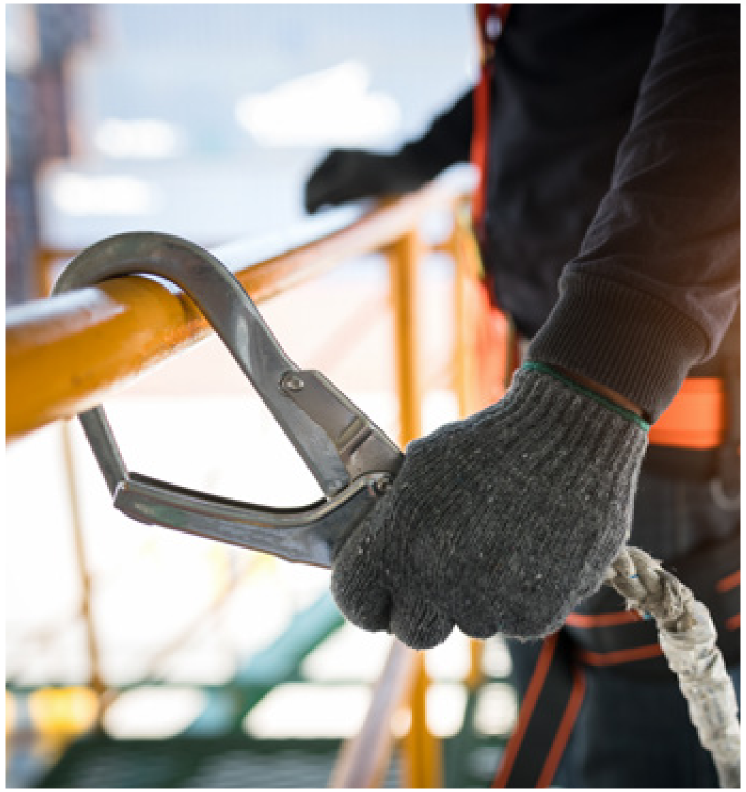
General

- Preventive occupational health and safety measures
- Instructions on what to do in case of earthquake and fire

Specific

- Work at heights
- Work on telecommunication towers
- First aid
- Building evacuation
- Fire prevention and firefighting

Five employees suffered hand injuries caused by tripping, falls from the same level, traffic accidents, electrical outlets and falls from heights. One employee had a recordable occupational illness due to lower back pain but there were no fatalities.



INDICATORS RELATED TO OCCUPATIONAL INJURIES

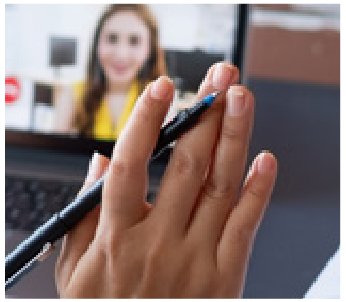
Item	Number	Rate
Deaths	0	0
Occupational injuries with major consequences	1	0.01
Recordable occupational injuries	4	0.07
Recordable occupational illness	1	0.01

10,739,312 hours worked were considered to calculate the rate.

EMPLOYEE DEVELOPMENT

The pandemic has served as a catalyst for the digitalization of many processes, one of which is employee training. Once again, this year most courses and training were conducted using digital platforms such as Microsoft Teams, which contributed to our digital evolution.

In addition, we organized training programs in virtual format for technical matters and soft skills.



Training	% of staff trained
Human-administrative competencies	96%
Alestra and Axnet brand culture	90%
Institutional training program	89%
Degreed Leaders	60%
Tower Climbing and Work at Heights Certification	11%
Welcome kit (onboarding)	8%
Instructor training	0.5%

[1] This program considers topics such as sustainability, agility, a new way of working, resilience, information security, human rights, code of ethics, integrity and the environment.
[2] This certification program was carried out in a hybrid scheme, the theoretical part online and the face-to-face practice.

THIS YEAR MOST COURSES AND TRAINING WERE CONDUCTED USING DIGITAL PLATFORMS SUCH AS MICROSOFT TEAMS, WHICH **CONTRIBUTED TO OUR DIGITAL EVOLUTION**

With regard to human rights, we included content in the institutional training program to reinforce diversity and inclusion. We organized four awareness-raising sessions on Diversity and Gender Inclusion at work and Discrimination in the workplace: inclusive companies, with a total of 66 attendees.

We also offered special training on our human rights policies and procedures with the participation of 3,885 employees. Our goal is that by 2022 we will have a more robust offer to raise awareness of these issues.

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	-	106	-	15
Executive Officers	228	1,249	46	34
Managers	851	4,372	47	41
Middle management	4,361	9,259	51	34
Employees	29,452	79,038	36	32
Analysts	4,959	5,852	25	23
Total	**39,851**	**99,876**	**36**	**32**

To increase training options for employees and help them improve their professional development, we organized the **Axtel Education Fair** with the participation of 212 employees so they could learn about the educational offers of different universities in Mexico.

OUR EMPLOYEES RECEIVED AN AVERAGE **OF 34 HOURS OF TRAINING IN 2021**

We invested

$11,834,446 IN TRAINING

FOR ALL OF EMPLOYEES

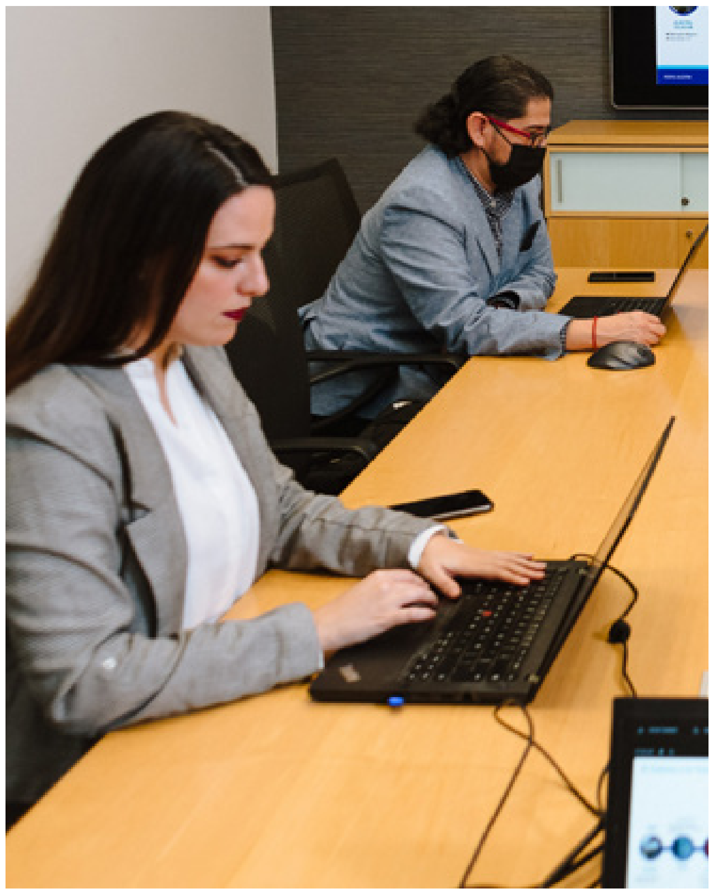
Aware of the importance of being up to date on the topics relevant to our industry and the services we provide, 190 employees obtained 228 certifications in different technologies and technical knowledge from institutions such as Amazon Web Services, Avaya, CISCO, EC-Council, Fortinet, ISACA, ISO, ITIL, Microsoft, PMP, SCRUM, Six Sigma and KANBAN.

In addition, we started the implementation of employee-to-employee training initiatives whereby an employee shares their knowledge with others to produce a cascade effect. In this regard, a member of the business department provided three hours of mentoring on business and leadership skills to five other colleagues. Similarly, through our internal training network 77 employees offered 10,900 hours of technical and induction courses to 1,134 employees from the business and operational areas.

With respect to **UniAlestra**, our business university, in 2021 we continued our work to obtain official recognition from the Ministry of Public Education (SEP, acronym in Spanish) for eight graduate programs. We currently have five applications for feasibility and three for recognition of official validity (RVOE, acronym in Spanish).

LINKEDIN LEARNING REQUIRED A ONE-TIME INVESTMENT OF **$1,076,625 PESOS FOR THE PURCHASE OF LICENSES**

Starting in 2020 we began using LinkedIn Learning with the goal of enabling leaders to develop technology competencies at their own pace and according to a schedule that worked best for them. In 2021 we expanded the program and now all employees can use the platform to obtain certification or update their skills in technologies for the performance of their activities. At the end of the year, 327 employees completed 3,626 courses with evidence of more than 80%, equivalent to more than 5,000 hours of training.



Focused on the same goal, we measured the skills and competencies of our team to design training routes and succession plans, conducting performance evaluations for 497 employees, middle managers, managers and executive officers.

PERFORMANCE EVALUATION BY POSITION AND GENDER

Position	Women	Men
Middle management	18	23
Employees	128	139
Analysts	11	7
Total	**157**	**169**

2021 EVALUATION BY OBJECTIVES AND BEHAVIORS FOR EXECUTIVES BY GENDER

Position	Women	Men
Chief Executive Officers	-	8
Executive Officers	5	36
Managers	17	105
Total	**22**	**149**

For the first time ever, in June we conducted a survey to which 2,947 employees, representing 70% of the workforce, responded. This survey measured the levels of commitment perceived by employees. The result was a 98% commitment level.

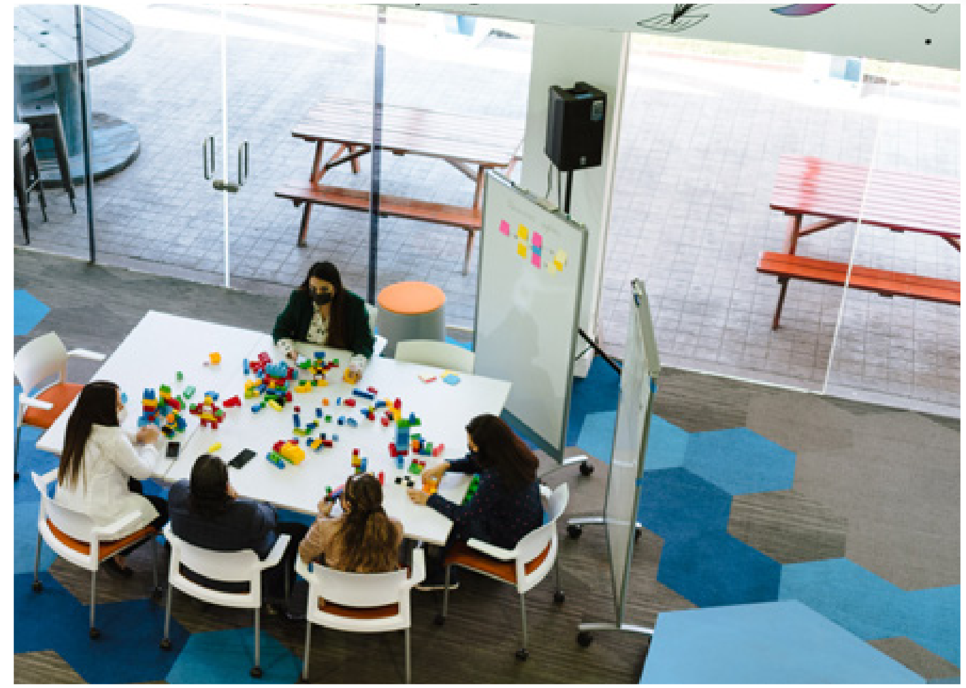
As part of the same survey we asked employees to rate different aspects related to Axtel's organizational culture, with compensation being the most positively evaluated.

AVERAGE RATING BY ITEM

SOCIAL BONDING

Despite social distancing measures, this year we joined efforts to stay close to employees, their families, and the community by introducing different initiatives.

As in 2020 we continued to support employees with medical, hospital, and funeral expenses for COVID-19 through the internal campaign **1 PE$O EQUALS 2**, which consisted of raising funds with voluntary contributions from employees which were duplicated by Axtel.



Voluntary contributions from 1,293 employees amounted to $592,850 pesos, which were duplicated by Axtel, raising a total of $1,185,700 pesos benefiting 48 families.

Furthermore, every time an employee requires support from our internal dissemination mechanisms to find blood donors we activate a campaign so employees can show solidarity and donate or spread the message. In 2021 we launched 20 campaigns.

Throughout the year we organized virtual celebrations to commemorate anniversaries and promote the integration of all employees and their families. We also celebrated the end of the year with a family event attended by 4,282 employees.

At Christmas we organized two campaigns to give away toys to 590 children with cancer. 328 employees participated is these campaigns with voluntary contributions via payroll and toy donations totaling $115,062 pesos.

IN 2021, FOUR MEETINGS OF THE BOARD OF DIRECTORS WERE HELD **WITH AN AVERAGE ATTENDANCE OF 94%**

CORPORATE GOVERNANCE

Axtel's **Board of Directors**[1] is our highest governing body and, together with the Chief Executive Officer, is responsible for ensuring the creation of sustainable value for our customers, employees, investors, and suppliers through responsible decision-making focused on business strategy and aligned with the values, ethics, and integrity that characterize us as a company.

This board is formed by 12 proprietary directors, seven of whom are independent and three alternates, and is co-chaired by Álvaro Fernández Garza and Tomás Milmo Santos.

The directors were appointed and approved at the General Shareholders' Meeting on March 5, 2021, in accordance with the guidelines defined in the Stock Market Act (LMV, 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.

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

In recent years we have focused our efforts on ensuring that board decisions also address ESG issues considered relevant to our investors, the sectors in which we participate, our stakeholders, but above all, to humanity. In this regard, this year we added the areas of opportunity detected in the ESG questionnaires we responded to in the priorities of certain executive divisions to define actions to address them and also report them to the Board of Directors.

Axtel's Internal Control area, under the Executive Finance Department, is responsible for documenting and managing the main risks faced by the company, as well as providing follow-up and reporting on them. Every year, an evaluation and identification of risks is carried out under a comprehensive approach, where each of Axtel's Executive Directions identifies the main existing and emerging risks, obtaining Axtel's risk matrix, under which they are classified by type, whether strategic, operational, financial, information or climate, its nature, its probability and impact.

Based on this matrix, the strategy or work plan to mitigate it is determined for each risk, those responsible for managing it are defined, and the progress status of said strategy is monitored. The results are presented to the Audit and Corporate Practices Committee of Axtel and ALFA on a quarterly basis.

To determine remuneration for members of the Board of Directors and executive officers, we use our Salary Administration Policy as a reference, conducted market surveys, and considered economic indicators such as inflation, growth expectations and the company's current situation. While independent consultants do not participate in this process, proposals for general increases and/or adjustments to benefits or allowances are submitted to General Management for approval.

This remuneration includes fixed and variable salaries, hiring incentives, severance payments, reimbursements, recoveries and retirement benefits. In addition, the variable compensation received by executive officers is established based on achievement of the company's economic objectives.

OUR DIRECTORS RECEIVE **FIXED REMUNERATION**

MANAGEMENT TEAM BENEFIT PLAN

Component	Target	Description
Alignment with business strategy	To align fixed and variable compensation to the company's strategic objectives. To provide competitive total remuneration in the benchmark labor market to attract and retain the best talent.	Fixed compensation is defined based on the reference market. While variable compensation incentivizes the achievement of strategic business objectives by being linked to performance.
Base salary	Attract and retain talent.	Salaries are reviewed annually in accordance with business results, the macroeconomic environment, salary surveys, and performance.
Fixed remuneration (benefits)	Comply with the legal framework and ensure competitiveness with respect to the market.	The benefit plan is defined based on labor market references and exceeds those established by law.
Variable remuneration	Reward the achievement of individual and group objectives and reinforce the alignment of the management team with shareholder interests.	Annual bonus plan according to the meeting of operating and strategic objectives.
Social benefits	Provide equity stability to the executive and deal with contingencies, retain talent.	Major medical insurance, life insurance, emergency insurance and periodic medical check-ups.

To support the functions of the Board of Directors in auditing matters we have an **Audit and Corporate Practices Committee**[1]. This committee is comprised of three independent directors and chaired by Enrique Meyer Guzmán.

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

BOARD OF DIRECTORS

Co-Chairmen

Álvaro Fernández Garza
March 27, 1968 (53 years old)

Director and Co-Chairman of the Board of Directors of Axtel since February 2016 (5 years).

CEO of ALFA, S.A.B. de C.V. Chairman of the Board of the Universidad de Monterrey (UDEM) and Co-Chairman of Nemak. Member of the Boards of ALFA, Alpek, Grupo Citibanamex, Cydsa, Grupo Aeroportuario del Pacífico and Vitro. He holds a bachelor's degree in Economics from the University of Notre Dame, and a master's degree in Administration from the ITESM and from Georgetown University.

Experience:
- Telecommunications Industry (ICT): Chief Officer of Alestra from 1996 to March 2003.

Tomás Milmo Santos
November 3, 1964 (57 years old)

Director and Co-Chairman of the Board of Directors of Axtel since February 2016. Before 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 Director since 1994 and was Chairman of the Board of Directors from 2003 to February 2016. He is a member of the board of directors of CEMEX, the ITESM, and Promotora Ambiental. He is also chairman of the board of Tec Salud. He holds a degree in Business Economics from Stanford University.

Experience:
- Telecommunications Industry (ICT): CEO of Axtel from 1994 to February 2016.

Proprietary Directors

Eduardo Alberto Escalante Castillo
March 27, 1958 (63 years old)

Director of Axtel since February 2019 (2 years).

CFO of ALFA, S.A.B. de C.V. since 2018 and CEO of Axtel since January 2021. He was Chairman of the Chemical Industry National Association (ANIQ) in Mexico. He holds a degree in Electronic and Communications Engineering from the ITESM and a master's degree from Stanford University.

Experience:

- Telecommunications Industry (TIC): CEO of Axtel as of January 2021; Marketing Director of Alestra.

Armando Garza Sada
June 29, 1957 (64 years old)

Director of Axtel since February 2016 (5 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, he also holds an MBA from Stanford University.

Patricio Jiménez Barrera
October 29, 1965 (56 years old)

Director of Axtel since February 2018, before the merger between Axtel and Alestra, he was Director of Axtel from 2005 to 2016 (11 years).

Chairman of Abstrix. Member of the Boards of Directors of Grupo Tredec and Jumbocel. He is a Certified Public Accountant graduated from the ITESM.

Experience:

- Telecommunications Industry (ICT): CFO of Axtel from 1998 to February 2009.

Alejandro Miguel Elizondo Barragán(I)
October 14, 1953 (68 years old)

Director of Axtel since February 2016 (5 years). He is a member of the Board of Directors of Arca Continental and Stiva Group. He holds a degree in Mechanical and Electrical Engineering from the ITESM and an MBA from Harvard University.

Francisco Garza Egloff(I)
September 5, 1954 (67 years old)

Director of Axtel since February 2016 (5 years).

Member of the Board of Directors of Arca Continental, Grupo Industrial Saltillo, Grupo AlEn, Alpek, Grupo Financiero Banregio, Ovnvier, RAGASA and Proeza, as well as the School of Engineering and Sciences of the ITESM, the Coca-Cola Foundation, the "Rosa de los Cuatro Vientos" Cultural Center, the "Ser y Crecer" Foundation, President of the UANL Foundation and "Caballero de San Miguel Arcángel" of CAMSVI. Vice President of the Confederation of Industrial Chambers of Mexico, CONCAMIN. He has a degree in Chemical Engineering from the ITESM, with studies in Senior Management at IPADE.

(I) Independent Director

Proprietary Directors

Juan Ignacio Garza Herrera[(I)]
November 26, 1966 (55 years old)

Director of Axtel since February 2016 (5 years).

CEO of Xignux. He was President of the COMCE Noreste and has been a Board Member of Xignux, Consejo Mexicano de Hombres de Negocios (CMHN), BBVA Mexico (Regional Noreste), UDEM, ICONN, Cleber and of the Instituto Nuevo Amanecer, A.B.P. He was President of Nuevo Leon's Transformation Industry Chamber. He has a degree in Mechanical Engineering from the ITESM, and a Master's in Administration from the University of San Francisco.

Fernando Ángel González Olivieri[(I)]
October 2, 1954 (67 years old)

Director of Axtel since February 2016, before 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 the Universidad Tec Milenio. He holds a bachelor's and master's degree in Administration from the ITESM.

[(I)] Independent Director

Enrique Meyer Guzmán[(I)]
January 7, 1960 (61 years old)

Director of Axtel since February 2016 (5 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 is an Industrial and Systems Engineer from the ITESM, with a master's degree in Business Administration from Stanford University.

Ricardo Saldívar Escajadillo[(I)]
April 21, 1952 (69 years old)

Director of Axtel since February 2016.

Private investor. Member of the Boards of FEMSA, Tecnológico de Monterrey and Grupo Industrial Saltillo, among others. Former President and CEO of The Home Depot Mexico, a position he held for eighteen years until June 2017 when he retired. Prior to that, he worked in various ALFA Group companies for nearly 21 years. He has a degree in Mechanical Engineering Administration from the ITESM, with a Master of Science in Systems Engineering from Georgia Tech and a diploma in Senior Management from IPADE.

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

Alberto Santos Boesch[(I)]
August 26, 1971 (50 years old)

Director of Axtel since February 2016, before the merger between Axtel and Alestra, he was Director of Axtel since 2013 (8 years).

Chairman and CEO of Ingenios Santos. Member of the Boards of GRUMA, BBVA Mexico, Interpuerto de Monterrey, Comité del Desarrollo del ITESM, Instituto Nuevo Amanecer, Renace, Red de Filantropía de Egresados y Amigos del Tec, Committee of the Advisory Council of the Faculty of Political Science and Public Administration of the UANL and Unidos por el Arte contra el Cáncer Infantil (UNAC). He has a degree in International Studies from the UDEM.

Alternate Directors

José Antonio Gonzáles Flores
May 5, 1970 (51 years old)

Alternate director of Axtel since February 2016.

Executive Vice President of Strategic Planning and Business Development of CEMEX. He holds a degree in Industrial and Systems Engineering from the ITESM and an MBA from Stanford University.

Thomas Lorenzo Milmo Zambrano
July 9, 1935 (86 years old)

Alternate director of Axtel since February 2018.

He was co-founder and Chairman of the Board of Directors of Grupo Javer and Incasa. He was Chairman of the Board of Directors and CEO of Carbonífera San Patricio and Carbón Industrial, as well as a member of the Board of Directors of CEMEX until 1996.

Paulino José Rodríguez Mendívil
April 21, 1951 (70 years old)

Alternate director of Axtel since February 2019.

Director of Human Capital of ALFA, S.A.B. de C.V. Member of the Board of Directors of Campofrío Food Group, COPARMEX and the Consejo Coordinador Empresarial. He is an Industrial and Systems Engineer from the University of the Basque Country, Spain, with a master's degree in Energy Techniques from the same institution.

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

MANAGEMENT TEAM

Eduardo Alberto Escalante Castillo

63 years old
CEO

In addition to being ALFA's Finance Director since 2018, Eduardo Escalante was appointed Axtel's General Director in January 2021. Prior to his current positions, he was the Administrative and Finance Director for Alpek. He has held various administrative positions in ALFA, the controlling company, and in the subsidiaries: Hylsamex, Sigma Alimentos, Alestra and Alpek. He was the CEO of Colombin Bel, CEO of the Caprolactam and Fertilizers Division of Alpek and CEO of AOL México. Degree in Electronics and Communications from Tecnológico de Monterrey (ITESM) and a Master's from the University of Stanford. Former Chairman of the National Association of the Chemical Industry (ANIQ) in Mexico.

Carlos Guillermo Buchanan Ortega

62 years old
Executive Director of Human Capital

Former Managing Partner of B&S Consultores and Human Resources Director at Alestra. He served as the Human Resources Director at Telefónica Movistar, Commercial Banking at Grupo Financiero Bancomer, Bimbo, Black & Decker and Prolec G.E. Served as the Executive Chairman of ERIAC Capital Humano and is now a member of the board. He is a Curriculum Consultant at UDEM, an Employability Board Member at Tec Milenio, a Board Member at Movimiento Congruencia AC, a member of the Study Group and guest Monitor for the D1, D2 and Medex programs at the IPADE. He has experience as a speaker and lecturer at UDEM, ITESM and ITESO. Bachelor's Degree in Psychology with a Master's in Organizational Development and Administration from UDEM, as well as postgraduate studies at IPADE and Kellogg University.

MANAGEMENT TEAM

Andrés Eduardo Cordovez Ferretto

53 years old
Executive Director of Infrastructure and Operations

Served as the Executive Director of Technology and Operations in Axtel from October 2013 to January 2016. Before holding this position, he was the Director of Information Technologies and Processes. In his 27 years of professional experience he has held various executive positions in a variety of domestic and multinational companies in the telecommunications, financial and services industries, being responsible for different functions such as technology, innovation, operations, customer service and sales. He has a Bachelor's Degree in Computer Systems Engineering from ITESM and obtained a certificate degree in Senior Management from IPADE. He has completed executive development courses at the universities of Wharton, Stanford and the London Business School.

Adrián Cuadros Gutiérrez

51 years old
Executive Director of the Government Sector

Served as the Executive Director of IT Solutions (February 2016 to December 2017). He was part of Alestra since February 1996, where he served as the Director of Engineering, Chief Technology Officer, Director of Government Sales and Director of Sales of IT Services. He also formed part of AT&T de México, where he held various positions from July 1993 to January 1996. Degree in Electronic and Communications Engineering from ITESM, with a Master's in Administration from the same institution. Completed the Executive Program at IPADE, the University of Stanford and the London Business School. In September 2018, he completed the Board Member Training Program at EGADE Business School.

MANAGEMENT TEAM

Adrián De Los Santos Escobedo

53 years old
Executive Finance Director

Served as the Acting Director of the Finance Office. Held the position of Corporate Finance and Investor Relations Director at Axtel until February 15th, 2017. Prior to joining Axtel in April 2016, he worked at Operadora de Bolsa y Banca Serfin (now Santander México) and Standard Chartered Bank, where he held positions in Institutional and Corporate Banking in the cities of Monterrey, London and New York. Bachelor's Degree in Business Administration from ITESM, with a Master's in Finance from the Carroll School of Management of Boston College.

Bernardo García Reynoso

63 years old
Executive Director of Planning and Development

Joined Alfa in 1985 and joined Alestra as of its founding in 1996, holding various positions in the Sales, Marketing, Strategic Alliances, Administration and Human Resources areas. He served as the Finance Director for Alestra for the seven years prior to the merger, upon which he took over the position of Executive Director of Planning and Development for Axtel in 2016. Degree in Industrial and Systems Engineering from ITESM, with a Master's in International Commerce from Universidad de Monterrey and a Master's in Business Administration from the International Institute for Management Development (IMD) of Lausanne, Switzerland.

MANAGEMENT TEAM

Ricardo J. Hinojosa González

55 years old
Executive Director of Business Market

Responsible for the strategy, development of solutions, implementation of alliances, promotion, commercialization and profitability of the Alestra brand. With over 32 years of experience, he has held various executive positions in the Sales, Marketing, Managed Services and Planning areas. Bachelor's Degree in Administrative Computer System from ITESM, with a Master's in Business Administration with a specialization in Marketing from the University of California in Los Angeles. He has completed specialized management studies at IPADE, Wharton University and Tuck. He also is a recurring speaker at various national and international forums.

Raúl Ortega Ibarra

65 years old
Legal and Regulatory Executive Director

Served as the Director of Government and Legal Relationships for Alestra beginning in 1996, where he later served as the director of International Business and Communications from 2001 to 2007. Former Director of Regulatory Matters of AT&T Corp. in Mexico and former leader and founder of the representative office for Mexican business bodies in Washington, D.C. Graduated from Universidad Iberoamericana, with executive studies in Political Economics and Management from the University of Stanford.

RISK AND OPPORTUNITY MANAGEMENT

Axtel is exposed to risks and opportunities related to financial, regulatory, market, tax, social, and ethical issues, as well as those related to climate change and other industry-specific issues such as network neutrality, paid peering, zero rating, and other practices related to network reliability. All or any one of these may have adverse effects on our business, the results of our operations and financial conditions.

The Compliance and Internal Control department, together with ALFA, performs an annual exercise to identify and manage strategic risks, determining their criticality and impact to establish a clear picture and take preventive actions in the event of possible repercussions for business performance.

A risk compendium is then generated and submitted to the Chief Executive Officer, the Board of Directors, and the Audit and Corporate Practices Committee to define the follow-up and monitoring actions to be taken by each executive management.

In addition, to maintain constant, timely, and adequate management of the risks and opportunities we are exposed to, we hold sessions with each executive officer to understand emerging issues from the perspective of their department for the development and implementation of measures for attention, follow-up and/or mitigation.

*Note. In our Annual Integrated Report 2021 we included information on the performance of these companies, which are the same as those reported in our financial report.

OPERATING STRUCTURE*

Subsidiary	Country	Holding percentage
Axtel, S.A.B. de C.V. (Controladora) (2)	Mexico	-
Servicios Axtel, S.A. de C.V.(3)	Mexico	-
Alestra Innovación Digital, S. de R.L. de C.V.(2)	Mexico	100%
Axes Data, S.A. de C.V.(3)	Mexico	-
Contacto IP, S.A. de C.V.(3)	Mexico	-
Instalaciones y Contrataciones, S.A. de C.V.(3)	Mexico	-
Ingeniería de Soluciones Alestra, S.A. de C.V.(3)	Mexico	-
Alestra USA, Inc.(1)	United States	100%
S&C Constructores de Sistemas, S.A. de C.V. ("S&C")	Mexico	100%
Estrategias en Tecnología Corporativa, S.A. de C.V. ("Estratel")(2)	Mexico	100%
Servicios Alestra TI, S.A. de C.V.(2)	Mexico	100%
Alestra Procesamiento de Pagos, S.A. de C.V.(2)(3)	Mexico	100%
La Nave del Recuerdo, S.A. de C.V.	Mexico	100%
Contacto IP FTTH de México, S.A. de C.V.	Mexico	100%
Alestra Servicios Móviles, S.A. de C.V.(2)	Mexico	100%
Fomento de Educación Tecnológica, S.C.(4)	Mexico	100%
Axtel Networks, S.A. de C.V.	Mexico	100%
Servicios Axtel Networks, S.A. de C.V.	Mexico	100%
AXE Redes e Infraestructura, S.A. de C.V.	Mexico	100%

(1) Leasing of telecommunications equipment and infrastructure.
(2) Telecommunications service provider.
(3) At the Extraordinary General Shareholders' Meeting held on December 1, 2021, shareholders agreed to the merger of Servicios Axtel, S.A. de C.V., Axes Data, S.A. de C.V., Contacto IP, S.A. de C.V., Instalaciones y Contrataciones, S.A. de C.V., and Ingeniería de Soluciones Alestra, S.A. de C.V. (as merged companies) with Alestra Procesamiento de Pagos, S.A.B. de C.V. (as the merging company); this merger has no impact on the Company's consolidated operations.
(4) Training and development services.

SINCE 2020 **WE HAVE BEEN CERTIFIED IN ISO 37001:2016 ON ANTI-BRIBERY MANAGEMENT SYSTEMS AND WE VOLUNTARILY REGISTERED WITH THE BUSINESS INTEGRITY** REGISTER OF THE MINISTRY OF PUBLIC ADMINISTRATION

BUSINESS ETHICS

Our business, decisions, actions, and commitments respect the highest standards of ethics, integrity and transparency. The document establishing the guidelines to be followed by all Axtel employees, managers, and directors is the **Code of Ethics**[1], while for suppliers and anyone who provides professional services to the company, we have the **Supplier Code of Conduct**[2].

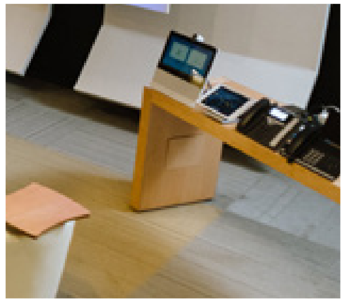
This document defines the principles for creating work environments that are respectful, non-discriminatory, equitable, inclusive, and open to dialogue, while also establishing the behaviors expected from employees in matters such as anti-corruption, bribery, conflicts of interest, political contributions, human rights, workplace harassment, health and safety, information confidentiality, marketing, communication, environmental protection, and community participation, among others.

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

[2] See our Supplier Code of Conduct: https://www. axtelcorp.mx/grupos-de-interes/

Furthermore, to prevent and mitigate potential conflicts of interest that may arise from our business practices, we work in accordance with the BMV's Code of Principles and Best Practices of Corporate Governance. In the event of any conflict of interest we would disclose it to ALFA as it is one of our most important stakeholders.

Every year we perform different actions to reinforce the understanding and application of ethical conduct among our employees and other stakeholders.



Employees

- We deployed a Code of Ethics update course taken by 3,850 employees.
- We informed 100% of employees of Axtel's Anti-Corruption Policy.
- We trained 3,913 employees, representing 92% of Axtel's total workforce, in anti-corruption.
- We received 4,138 signatures of the Information Conflict and Confidentiality Letter, in which employees reaffirm their acceptance and adherence to Axtel's values, principles, and provisions regarding ethics, labor, conflicts of interest, corporate security and privacy.

Suppliers, contractors, and operations

- We requested the signature of acceptance and commitment to the Code of Ethics from our suppliers at the beginning of the business partnership.
- We informed 100% of active suppliers of our anti-corruption policies and procedures.
- We assessed 100% of our operations for corruption-related risks.
- We conduct a permanent inspection program with contractors to ensure there are no risks related to forced or child labor and that the necessary safety measures are taken to prevent accidents in the performance of their activities.

In the event of non-compliance with the Code of Ethics or any of our policies, we make the **ALFA Transparency Mailbox** available to our employees, suppliers, and any stakeholder in several languages and via different channels 24 hours a day, 365 days a year, so they can confidentially and anonymously file a complaint if they so wish.

Since 2020 we have had a Compliance Officer whose function is to monitor and supervise adherence to internal standards and ethical conduct within Axtel.

SINCE 2020 **WE HAVE BEEN CERTIFIED IN ISO 37001:2016 ON ANTI-BRIBERY MANAGEMENT SYSTEMS AND WE VOLUNTARILY REGISTERED WITH THE BUSINESS INTEGRITY** REGISTER OF THE MINISTRY OF PUBLIC ADMINISTRATION

COMPLAINT CHANNELS ALFA TRANSPARENCY MAILBOX

E-mail:
buzon@alfa.com.mx,
transparenciaaxtel@axtel.com.mx

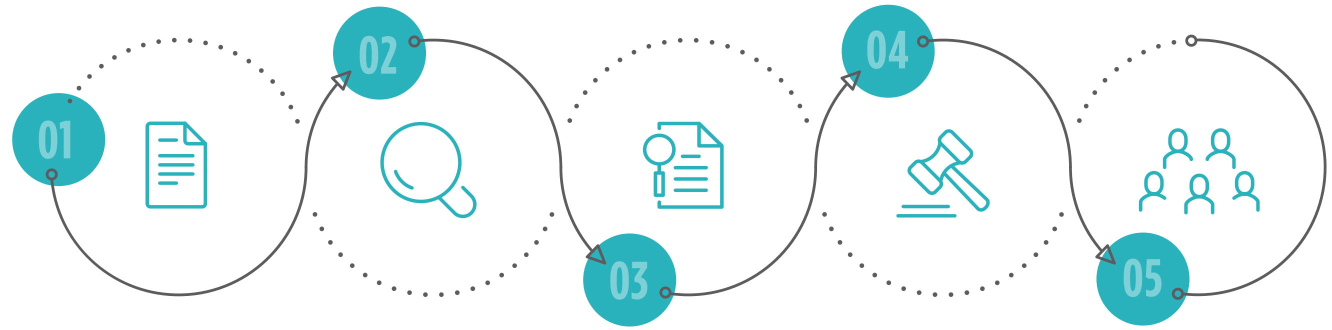
Whatsapp/SMS:
+52 1 81 2353 9853

Toll-free numbers:
800 265 2532 (Mexico),
1 866 482 1957 (United States)
and 1 866 238 2860 (Canada)

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

Human resources:
direct contact or by email

PROCESS FOR RECEIVING AND ADDRESSING COMPLAINTS



The complaint is received in the ALFA Transparency Mailbox.	It is analyzed and assigned to the responsible areas for investigation.	Results are received for review. Sensitive cases are reviewed by Internal Auditing.	A case closure authorization meeting is held.	The results are submitted to the Audit and Corporate Practices Committee.

In 2021 the ALFA Transparency Mailbox received 27 complaints corresponding to Axtel. Of these complaints and others that remained pending from the previous year, 24 were addressed and fully resolved during this period, while six are still being processed and another six were considered unfounded.

Since 2020 these channels have been available to receive complaints related to non-compliance with the hygiene and safety protocols defined in the face of the health crisis due to COVID-19. This year we have received no complaints on this subject.

Regarding cases of corruption, discrimination, conflicts of interest, anti-competitive practices, violations of human rights, privacy or leakage of customer data, we received no complaints in 2021. There were also no critical concerns to notify to the Board of Directors in 2021.

COMPLAINTS RECEIVED IN THE ALFA TRANSPARENCY MAILBOX

Transparency mailbox complaints		
Type of complaints	**Number**	**Percentage**
Inappropriate treatment of employees	5	19%
Asset preservation	0	0%
Inappropriate treatment of customers	4	15%
Policy compliance	0	0%
Personal relationships	0	0%
Conflicts of interest	1	4%
Others	17	63%
Total	**27**	**100%**

We did not receive any significant fines nor did we record any legal actions or monetary losses related to unfair competition practices or non-compliance with standards or voluntary codes on marketing communications.

HUMAN RIGHTS

At Axtel, we promote and implement respect for human rights and people's freedom as part of our **Human Rights Policy**[1] which is applicable to all employees, customers, suppliers, and stakeholders.

Our Code of Ethics, Supplier Code of Conduct, Diversity and Inclusion, Hiring and Recruitment policies, as well as Axtel's adherence to the principles of the United Nations Global Compact, support our commitment to operate and manage our business with absolute respect for the human rights of our employees and along the entire value chain.

AXTEL'S HUMAN RIGHTS POLICY IS BASED ON THE **UNIVERSAL DECLARATION OF HUMAN RIGHTS** AND THE RECOMMENDATIONS OF THE **INTERNATIONAL LABOR ORGANIZATION (ILO)**

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

In 2021 we trained 100% of our security personnel and 92% of our employees on issues related to respect for human rights.

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

THE BOARD OF DIRECTORS, THROUGH THE AUDIT COMMITTEE, **IS PRIMARILY RESPONSIBLE FOR MANAGING TAX RISKS THROUGH THE APPLICATION OF POLICIES,** TOOLS, AND PERIODIC REVIEWS THAT ALLOW THE TIMELY IMPLEMENTATION OF PREVENTIVE OR CORRECTIVE ACTIONS FROM A TAX STANDPOINT

FINANCIAL OUTLOOK

Comprehensive management of financial issues linked to environmental, social, and governance (ESG) issues is key to ensuring the long-term sustainability of our business, but above all, to adapting to new customer and market requirements with innovative solutions that meet their needs.

As part of the market, our operations are subject to many forms of regulation, including tax regulations. We have a tax policy that establishes the general guidelines for tax planning, operation, and regulation in Axtel through the application of and adherence to current tax provisions, and the preparation of the five-year tax plan based on the latest business plan approved by the Board of Directors and the corporate comptroller's office. This strategy is reviewed annually.

FLOW BY QUARTER IN 2021
(millions of Mexican pesos)

1Q: 916

2Q: 1,141

3Q: 912

4Q: 824

FLOW BY YEAR
(millions of Mexican pesos)

2018*: 4,174

2019*: 4,236

2020:** 6,327

2021: **3,793**

SALES BY QUARTER
(millions of Mexican pesos)

1Q: 2,835

2Q: 2,983

3Q: 2,759

4Q: 2,812

SALES BY YEAR
(millions of Mexican pesos)

2018*: 12,526

2019*: 12,528

2020: 12,356

2021: **11,389**

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

RELEVANT FIGURES
(millions of Mexican pesos)

Axtel and Subsidiaries	2021	2020	% Change
Results			
Revenue	11,389	12,356	-8%
Operating income [2]	292	2,773	-89%
(Loss) Net income	(797)	361	--
Earnings per share [1]	(0.04)	0.018	--
Flow [2]	3,793	6,327	-40%
Balance Sheet			
Total Assets	19,974	23,704	-16%
Total Liabilities	17,105	20,209	-15%
Total Stockholders' Equity	2,870	3,495	-18%
Book Value per Share [1]	0.14	0.18	-18%

[1] 1 AxtelCPO equals 7 shares.
[2] Includes Ps. 2.021 billion benefit from divestiture of data centers.

RELEVANT FIGURES
(millions of Mexican pesos)

Year	Flow	Sales	Total Assets
2018 [3]	4,174	12,526	28,156
2019 [3]	4,236	12,528	24,331
2020 [4]	6,327	12,356	23,704
2021	3,793	11,389	19,974

[3] For comparative purposes, adjusted from divestiture of data center business.
[4] Includes Ps. 2,021 billion in benefit from divestiture of data centers.

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

Operating results for the years ended December 31, 2021, and December 31, 2020

Revenues

For the year ended December 31, 2021, total revenues were Ps. 11,389 million, an 8% decrease compared to 2020, mainly due to a 10% decline in Alestra's revenues, partially mitigated by a 1% increase in Infrastructure revenues.

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

Infrastructure Business Unit ("Axtel Networks")

2021 revenues totaled Ps. 5,017 million, 1% higher than 2020, due to a 1% increase in third-party revenues, mainly driven by a strong performance of dark fiber contracts to mobile and wholesale customers. Revenues coming from Alestra remained flat and represented 49% of total Infrastructure Unit's revenues.

Services Business Unit ("Alestra")

Revenues for 2021 were Ps. 8,828 million; 10% lower compared to 2020; due to 4% and 33% declines in revenues from the Enterprise and Government segments, respectively.

Enterprise segment. In 2021, revenues amounted Ps. 7,492 million, a 4% decline compared to 2020, due to a 7% decrease in standard services, partially mitigated by an 11% increase in digital transformation services revenues.

Standard Services. In 2021, revenues recorded Ps. 5,005 million, a 7% decrease compared to 2020, mainly due to a 23% drop in voice revenues, as a result of its maturing technological cycle and the adoption of collaboration solutions; as well as a 2% decline in data and internet solutions and a 5% drop in VPN & Ethernet, explained by a lower volume of services with corporate clients, many of whom downsized their operations.

Value Added. 2021 revenues reached Ps. 998 million, 9% lower than 2020, mainly due to a 12% decrease in managed services revenues.

Digital Transformation. Revenues totaled Ps. 1,488 million, an 11% increase compared to 2020, driven by double-digit growth in cloud, cybersecurity and managed applications services.

Government segment. In 2021, revenues totaled Ps. 1,336 million, compared to Ps. 1,990 million in 2020, a 33% decrease. These results are due to the termination of contracts, a decline in acquisitions and fewer non-recurring revenues, mainly with federal entities. The Company maintains its effort to seek value-added opportunities with the federal government and further diversify into projects with state and local governments.

Standard Services. In 2021, revenues amounted Ps. 595 million, a 38% decrease compared to 2020.

Value Added. For 2021, revenues recorded Ps. 419 million, a 25% decrease.

Digital Transformation. In 2021, revenues reached Ps. 322 million, a 31% decrease,, mainly due to a decline in managed application solutions.

Gross Profit

Gross profit is defined as revenues minus cost of revenues. In 2021, gross profit totaled Ps. 8,251 million, a 7% decrease, in line with revenues. Gross profit margin remained constant at 72%, from 2020 to 2021.

Services Unit (Alestra). Gross profit totaled Ps. 3,650 million, a 15% decline compared to 2020, mainly due to the declines in revenues previously described for both the Enterprise and Government segments, and to the lower margin of the enterprise segment.

Infrastructure Unit (Axtel Networks). Gross profit was Ps. 4,601 million, flat compared to 2020.

Operating expenses and other income (expenses). For 2021, operating expenses totaled Ps. 4,426 million, a 7% decrease compared to 2020, due to a 15% decrease in the Services unit operating expenses.

Services Unit (Alestra). Operating expenses declined 15% compared to 2020, mainly as a result of declines in personnel, debt provision charges and maintenance expenses.

Infrastructure Unit (Axtel Networks). Expenses increased 2% compared to 2020, mainly due to an increase in tower rents, partially mitigated by reductions in real estate leases and basic services.

For 2021, other expenses represented Ps. 32 million, mostly related to organizational efficiencies recorded in the fourth quarter of the year; compared to other income of Ps. 2,170 million in 2020, figure that includes a Ps. 2,021 million benefit from the data center transaction in the first quarter of 2020 and a Ps. 90 million benefit from the spectrum transaction in the second quarter of the same year.

EBITDA

EBITDA totaled Ps. 3,793 million, 10% lower than 2020 Comparable EBITDA. For 2021 the EBITDA margin was 33.3%, lower than the 34.1% registered in 2020, as efficiencies in operating expenses did not compensate the decline in gross profit.

Services Unit (Alestra). (41% of Axtel´s YTD EBITDA) In 2021, EBITDA totaled Ps. 1,538 million; 18% lower than 2020 due to the drop in gross profit, partially mitigated by the reduction in operating expenses.

Infrastructure Unit (Axtel Networks). (59% of Axtel´s YTD EBITDA) In 2021, EBITDA totaled Ps. 2,254 million; 4% lower than 2020, explained by the higher operating and other expenses.

Operating Income

For 2021, the Company recorded an operating income of Ps. 292 million compared to Ps. 2,772 million in 2020, figure that includes the Ps. 2,021 million benefit of the data center transaction and the Ps. 90 million benefit from the spectrum transaction. In the fourth quarter of 2021, the Company recognized an impairment of Ps. 290 million in minority-participation investments.

Comprehensive Financial Result, net

The comprehensive financial cost of Ps. 1,441 million for 2021, was11% lower than the Ps. 1,619 million cost in 2020, mostly due to a 13% decline in interest expense.

Taxes

During 2021, income tax represented a benefit of Ps. 352 million, compared to a tax expense of Ps. 793 million in 2020. The difference is mainly due to the recognition of the inflation effects on the Company's assets, as well as the increase in tax losses generated in the same year and those of previous years.

Net Income (Loss)

The Company recorded a net loss of Ps. 797 million in the year 2021, compared to a net income of Ps. 361 million registered in 2020. The variation is mainly explained by the benefits of data center and spectrum transactions in 2020; partially mitigated by the lower comprehensive financial cost and tax benefit in 2021 previously described.

Capital Investments

In 2021, capital Investments in acquisitions of property, plant and equipment and intangibles totaled Ps. 1,533 million, 29% lower compared to Ps. 2,144 million in 2020. The 2020 figure includes an extraordinary investment of US $22 million related to the renovation of spectrum frequencies and excludes US $167 million benefit from the data center divestment. In 2021, 65% of the investments were allocated to the Infrastructure Unit and 35% to the Services Unit.

Financial Position as of December 31, 2021, and as of December 31, 2020

Assets. As of December 31, 2021, total assets amounted Ps. 19,974 million compared to Ps. 23,704 million as of December 31, 2020, a decrease of Ps 3,729 million, or 16%.

Cash and equivalents. As of December 31, 2021, cash and equivalents totaled Ps. 1,614 million compared to Ps. 3,124 million as of December 31, 2020, a decrease of Ps. 1,510 million or 48%, largely derived from the US$60 million redemption of the 2024 Senior Notes (“Notes”) in March 2021, as well as the US$20 million payment of one of the committed line facilities in September 2021.

Accounts Receivable. As of December 31, 2021, accounts receivable amounted Ps. 1,695 million compared to Ps. 1,795 million as of December 31, 2020, a decrease of Ps. 100 million, or 6%.

Property, systems and equipment, net. As of December 31, 2021, property, systems and equipment, net, were Ps. 10,133 million compared to Ps. 11,578 million as of December 31, 2020. Without deducting accumulated depreciation, Property, systems, and equipment totaled Ps. 47,995 million and Ps. 50,791 million as of December 31, 2021, and 2020, respectively.

Liabilities. As of December 31, 2020, total liabilities amounted to Ps. 17,105 million compared to Ps. 20,209 million as of December 31, 2020, a decrease of Ps 3,104 million or 15%, due to a reduction in debt, mainly due to the US $60 million prepayment of the Notes in March 2021, the payment of US $20 million of a committed line facility in September 2021 and the full prepayment of short-term lines that were drawn down to strengthen liquidity against COVID-19.

Accounts payable. As of December 31, 2021, accounts payable amounted to Ps. 2,138 million compared to Ps. 2,376 million as of December 31, 2020, a decrease of Ps. 238 million or 10%.

Debt. As of December 31,2021, net debt was US $574 million, a decrease of 5% or US $28 million in comparison with year-end 2020; comprised of a US $113 million decrease in debt, a US $6 million non-cash decrease in debt caused by an 3% depreciation of the Mexican peso year-over-year and a US $91 million decrease in cash.

Total debt reduction of US $113 million year-over-year is explained by i) a US $60 million decrease related to the partial redemption of the 2024 Senior Notes in March 2021; ii) a US $36 million decrease in bank loans, including the US $20 million reduction in the drawn down amount under a committed line facility in September 2021; iii) a US $13 million decrease in other loans and financial leases; and iv) a US $4 million decrease due to the amortization of the long-term facility.

Stockholders’ equity. As of December 31, 2021, the Company´s stockholders equity amounted Ps. 2,870 million compared to Ps. 3,495 million as of December 31, 2020, a decrease of Ps. 625 million or 18%. The capital stock totaled Ps. 464 million as of December 31, 2021, and 2020.

Cash Flow

As of December 31, 2021, cash flow from operating activities reached Ps. 3,292 million, compared to a cash flow of Ps. 4,208 million as of December 31, 2020.

As of December 31, 2021, the Company had generated (used) cash flows from investment activities for (Ps. 1,268 million), compared to Ps 729 million as of December 31, 2020. Investments in property, systems and equipment and intangibles were (Ps. 1,533) million as of December 31, 2021, and Ps. 1002 million as of December 31, 2020. The 2020 figure includes a benefit of Ps. 3,145 million from the data centers divestment, without considering this benefit, investments totaled Ps. (2,144) million.

As of December 31, 2021, the cash flow (used in) generated by financing activities was Ps. (3,602) million, compared to Ps. (2,601) million as of December 31, 2020.

As of December 31, 2021, the net debt to EBITDA ratio and the interest coverage ratio were 3.1x and 3.3x, respectively. Likewise, as of December 31, 2020, the net debt to EBITDA and interest coverage ratios were at 2.0x and 5.1x, respectively. Pro forma interest expenses are used for the calculation of interest coverage ratio.

Liquidity and Capital Resources applicable for years 2021, 2020 and 2019

On November 9, 2017, Axtel issued Senior Notes in the international market and listed on the Irish Stock Exchange under a private offering under Rule 144A and Regulation S of the Securities Law from 1933 of the United States of America, for an amount of US$ 500 million, gross of issuance costs of US$7 million. The Senior Notes will accrue an annual coupon of 6.375% maturing in 7 years. The proceeds were mainly used to prepay the existing debt related to the syndicated loan signed on January 15, 2016, and various transaction costs and expenses. In March 2021, Axtel prepaid US $60 million of its Notes at a price of 104.781%, with the remaining resources from the data center transaction formalized in January 2020. To date, the balance of the Notes is US$ $440 million.

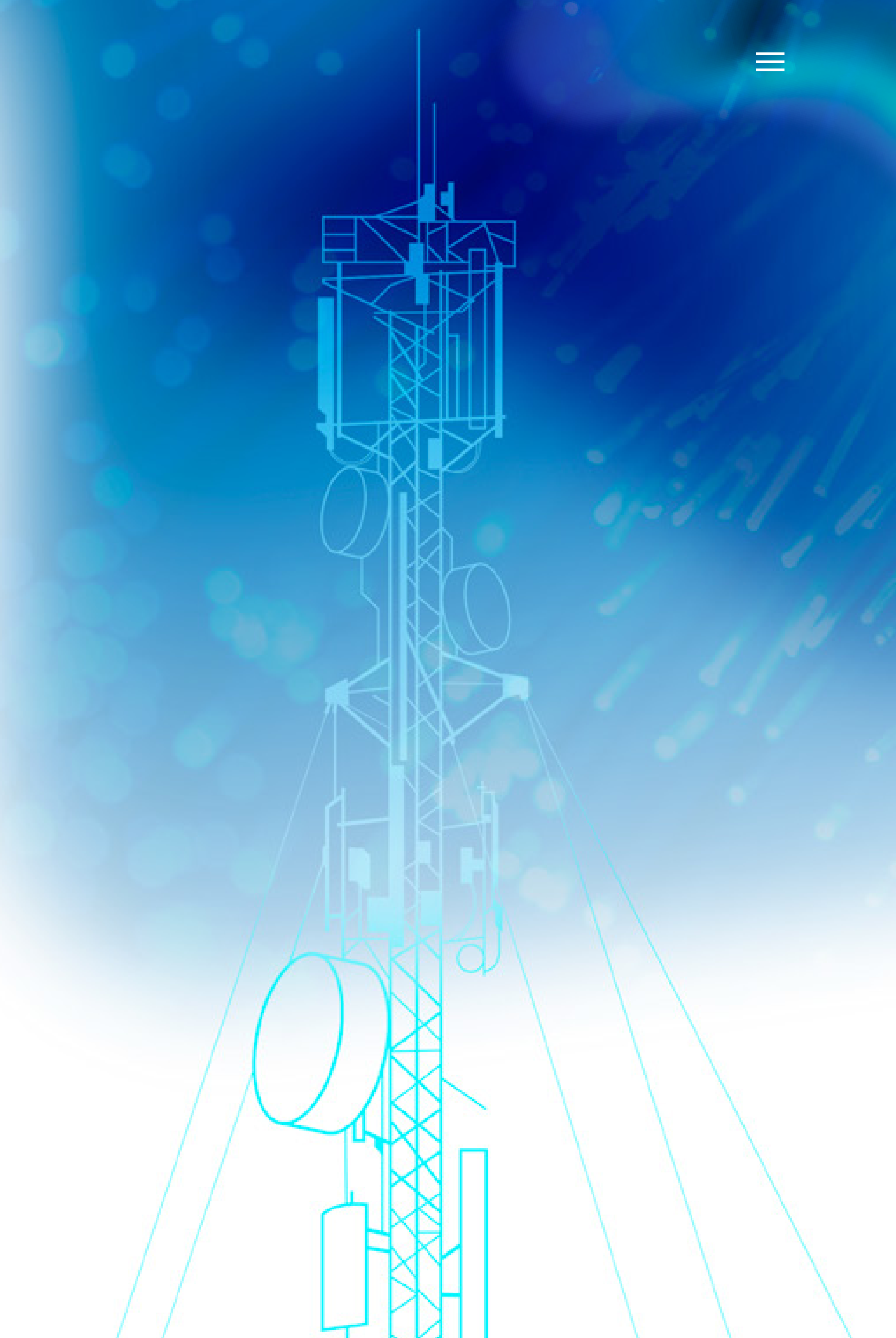
Additionally, Axtel has a bilateral loan with Export Development Canada for up to US$50 million, or its equivalent in pesos, due in June 2024. On September 27, 2021, the Company prepaid US $20 million of the loan principal in dollars. As of December 31, 2021, the drawn balance is US $29 million.

Although the Company believes that it will be able to meet its debt obligations and finance its operating needs in the future with the operating cash flow, the Company may periodically seek to obtain additional financing in the capital market depending on market conditions and its financial needs. The Company will continue to focus its investments on fixed assets and manage its working capital, including the collection of its accounts receivable and the management of its accounts payable.

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, 2021, 2020 AND 2019, AND INDEPENDENT AUDITORS' REPORT DATED JANUARY 31, 2022



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, 2021, 2020 AND 2019

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

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, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, 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 2021 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 Tests of Impairment of Intangible Assets with Definite Useful Life and Goodwill

As described in Note 3 and 12 to the consolidated financial statements, the Company performs annual impairment tests to the intangible assets with a definite useful life and goodwill.

We have identified the evaluation of intangible 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 goodwill of $322,782 thousand pesos, and intangible assets with a definite useful life of $977,422 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 intangible assets with definite useful lives and goodwill, 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, and we agree with the determination of the recovery value of the CGU and we believe the assumptions used by management are reasonable.

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 is a measure that is not required by IFRS, and has 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") of the Company, as well as the Business Unit Contribution ("BUC"). This information and its definition are presented in Note 30.

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. We have nothing to report 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 2021 and are therefore the key audit matters. We describe these matters 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, 2022

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

Consolidated Statements of Financial Position

As of December 31, 2021, 2020 and 2019
Thousands of Mexican pesos

	Note	2021	2020	2019
ASSETS				
Current assets:				
Cash and cash equivalents	6	$ 1,613,697	$ 3,123,955	$ 857,742
Restricted cash	7	-	261,827	-
Trade and other accounts receivable, net	8	2,492,754	2,901,248	3,344,674
Inventories	9	85,442	78,720	93,982
Financial instruments at fair value	4	-	-	92,673
Prepayments	3.j	634,792	713,711	521,406
Assets held for sale	2.h	-	-	1,124,613
Total current assets		4,826,685	7,079,461	6,035,090
Non-current assets:				
Property, plant and equipment, net	10	10,132,948	11,577,650	12,963,991
Right of use asset, net	11	498,522	592,871	661,246
Goodwill and intangible assets, net	12	1,300,204	1,260,696	1,052,258
Deferred income taxes	20	2,856,110	2,540,543	2,876,287
Other non-current assets	13	359,990	652,624	741,897
Total non-current assets		15,147,774	16,624,384	18,295,679
Total assets		**$19,974,459**	**$23,703,845**	**$24,330,769**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Debt	17	$ 252,072	$ 1,609,301	$ 131,632
Lease liability	18	264,264	294,749	451,775
Trade and other accounts payable	14	2,844,167	3,851,293	4,169,016
Provisions	15	29,484	18,417	220,190
Deferred income	16	86,052	116,054	153,229
Derivative financial instruments	4	33,575	154,077	51,814
Total current liabilities		3,509,614	6,043,891	5,177,656
Non-current liabilities:				
Debt	17	12,607,365	13,034,985	13,836,310
Lease liability	18	219,990	332,275	414,323
Accounts payable to related parties	28	-	-	703,348
Employee benefits	19	766,500	742,847	695,498
Derivative financial instruments	4	-	53,120	91,898
Deferred income taxes	20	1,134	1,454	759
Total non-current liabilities		13,594,989	14,164,681	15,742,136
Total liabilities		17,104,603	20,208,572	20,919,792
Stockholders' equity:				
Capital stock	21	464,368	464,368	464,368
Retained earnings		2,445,384	3,252,002	3,104,427
Other comprehensive loss		(39,896)	(221,097)	(157,818)
Total controlling interest		2,869,856	3,495,273	3,410,977
Non-controlling interest		-	-	-
Total stockholders' equity		2,869,856	3,495,273	3,410,977
Total liabilities and stockholders' equity		**$19,974,459**	**$23,703,845**	**$24,330,769**

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

Consolidated Statements of Income

For the years ended December 31, 2021, 2020 and 2019
Thousands of Mexican pesos

	Note	2021	2020	2019
Revenues	23	$11,389,494	$12,355,981	$12,783,633
Cost of sales		(5,785,728)	(6,171,287)	(6,104,427)
Gross profit		5,603,766	6,184,694	6,679,206
Administration and selling expenses		(4,958,159)	(5,412,063)	(5,841,918)
Other (expenses) income, net	25	(353,359)	1,999,869	(63,453)
Operating income		292,248	2,772,500	773,835
Financial income	26	24,909	38,878	60,253
Financial expenses	26	(1,188,709)	(1,378,015)	(1,468,752)
Exchange fluctuation (loss) gain, net	26	(277,595)	(385,284)	290,275
Gain (loss) on changes in fair value of financial instruments		-	105,809	(8,919)
Financial result, net		(1,441,395)	(1,618,612)	(1,127,143)
(Loss) income before income taxes		(1,149,147)	1,153,888	(353,308)
Income taxes (expense) benefit	20	352,405	(792,633)	15,291
(Loss) income from continuing operations		(796,742)	361,255	(338,017)
Discontinued operations	22	-	-	324,078
Net consolidated (loss) income		**$ (796,742)**	**$ 361,255**	**$ (13,939)**
(Loss) income attributable to:				
Controlling interest		(796,742)	361,255	(13,939)
Non-controlling interest		-	-	-
		$ (796,742)	$ 361,255	$ (13,939)
(Loss) income per basic and diluted share from continuing operations		(0.040)	0.018	(0.017)
Profit per basic and diluted share from discontinued operations		-	-	0.016
(Loss) profit per basic and diluted share		**(0.040)**	**0.018**	**(0.001)**
Weighted average common outstanding shares (thousands of shares)		**19,829,510**	**19,987,579**	**20,183,560**

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 Comprehensive Income

For the years ended December 31, 2021, 2020 and 2019
Thousands of Mexican pesos

	Note	2021	2020	2019
Net consolidated (loss) income		$(796,742)	$361,255	$ (13,939)
Other comprehensive (loss) income for the year:				
Items that will be reclassified to the consolidated statement of income:				
Effect of currency translation	20	732	1,152	(2,468)
Fair value of derivative financial instruments, net of taxes		120,279	(43,679)	(88,940)
Items that will not be reclassified to the consolidated statement of income:				
Remeasurements of employee benefits, net of taxes	20	60,190	(20,752)	(49,438)
Total other comprehensive loss for the year		181,201	(63,279)	(140,846)
Total comprehensive (loss) income of the year		**$(615,541)**	**$297,976**	**$(154,785)**
Attributable to:				
Controlling interest		**$(615,541)**	**$297,976**	**$(154,785)**
Non-controlling interest		-	-	-
Comprehensive (loss) income of the year		**$(615,541)**	**$297,976**	**$(154,785)**

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, 2021, 2020 and 2019
Thousands of Mexican pesos

	Controlling interest						
	Capital stock	**Additional paid- in capital**	**Retained earnings**	**Other com- prehensive loss**	**Total controlling interest**	**Non- controlling interest**	**Total stockholders' equity**
Balances as of January 1, 2019	$464,368	$159,551	$3,013,954	$ (16,972)	$3,620,901	$6	$3,620,907
Transactions with stockholders:							
Repurchase of shares	-	(159,551)	103,015	-	(56,536)	-	(56,536)
Other	-	-	1,397	-	1,397	(6)	1,391
Total transactions with stockholders	-	(159,551)	104,412	-	(55,139)	(6)	(55,145)
Net consolidated loss	-	-	(13,939)	-	(13,939)	-	(13,939)
Total other comprehensive loss for the year	-	-	-	(140,846)	(140,846)	-	(140,846)
Comprehensive loss	-	-	(13,939)	(140,846)	(154,785)	-	(154,785)
Balances as of December 31, 2019	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 income 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**

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, 2021, 2020 and 2019
Thousands of Mexican pesos

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) income before income taxes	$(1,149,147)	$1,153,888	$ (353,308)
Depreciation and amortization	3,179,364	3,384,219	3,578,541
Exchange fluctuation loss (gain), net	277,595	385,284	(290,275)
Allowance for doubtful accounts	(2,600)	48,891	8,874
Loss (gain) from sale of property, plant and equipment	1,327	(2,022,963)	5,046
Interest income	(24,909)	(38,878)	(60,253)
Interest expense	1,188,709	1,378,015	1,468,752
Current PTU	5,426	6,891	12,524
Impairment of goodwill	-	96,754	-
Impairment of investments	290,114	-	-
Others	36,114	72,539	113,255
Change in unrealized fair value and settlement of financial instruments	-	(105,809)	8,919
Changes in working capital:			
Trade and other accounts receivable, net	505,562	420,656	120,012
Inventories	20,049	85,859	131,289
Trade accounts payable, related parties and other accounts payable	(677,132)	(528,915)	(1,340,992)
Employee benefits	109,638	17,703	32,835
Paid PTU	(5,973)	(11,847)	(9,178)
Deferred income	(30,002)	(37,175)	(383,223)
Operating cash flows from discontinued operations	-	-	(29,633)
Subtotal	3,724,135	4,305,112	3,013,185
Income taxes paid	(432,580)	(97,274)	(56,481)
Net cash flows generated by operating activities	3,291,555	4,207,838	2,956,704
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	(1,290,512)	(1,591,980)	(1,691,354)
Disposal of property, plant and equipment	-	3,147,703	-
Acquisition of intangible assets	(242,000)	(553,826)	(70,676)
Interest received	24,909	38,877	60,254
Restricted cash	258,891	(247,104)	93,908
Investment in shares of Altán	-	(64,568)	(69,959)
Notes receivable	(19,579)	-	-
Investing cash flows from discontinued operations	-	-	1,150,000
Net cash flows (used in) generated by investing activities	(1,268,291)	729,102	(527,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of current and non-current debt	-	1,485,012	-
Payments of current and non-current debt	(2,174,476)	(1,411,749)	(550,000)
Lease payments	(332,412)	(545,855)	(638,067)
Payment of account payable to holding company	-	(713,972)	(1,237,640)
Repurchase of shares	(9,876)	(213,680)	(56,536)
Interest paid and other financial expenses	(1,084,878)	(1,200,297)	(1,338,736)
Net cash flows used in financing activities	(3,601,642)	(2,600,541)	(3,820,979)
Net (decrease) increase of cash and cash equivalents	(1,578,378)	2,336,399	(1,392,102)
Effect of changes in exchange rates	68,120	(70,186)	689
Cash and cash equivalents at the beginning of the year	3,123,955	857,742	2,249,155
Cash and cash equivalents at the end of the year	**$ 1,613,697**	**$3,123,955**	**$ 857,742**

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, 2021, 2020 and 2019
Thousands of Mexican pesos, unless otherwise indicated

01 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, S. N. C. The Company is subsidiary of Alfa, S. A. B. de C. V. ("Alfa"), direct holding and last company of the Group, which exercises control and holds 52.78% through the Trust Administration Agreement No. 2673 entered into with Banco Invex, S. A. Alfa has control over the Company's relevant activities.

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 portfolio of the services unit for the business and government segments 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. 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 "$" mean thousands of Mexican pesos; additionally, reference to dollars or "US$" mean thousands of U.S. dollars, unless otherwise indicated for both cases.

02 RELEVANT EVENTS

2021

a. 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.

b. Succession in General Management

On January 22, 2021, the Company announced the beginning of its Chief Executive Officer's ("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.

c. 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 unamortised transaction costs in the consolidated statement of income as of that date for $13,899.

d. 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%.

e. 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 unamortised transaction costs in the consolidated statement of income as of that date for $481.

f. 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 for the value of its investment (See Note 25). As of December 31, 2021, 2020 and 2019, the balance receivable from Altán amounts to $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

g. 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 segment, 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.

h. 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.

i. 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.

2019

j. Sale of the rest of the massive segment

On May 1, 2019, the Company divested its fiber optic business from the massive segment located in the cities of León, Puebla, Toluca, Guadalajara and Querétaro to Megacable Holdings, S. A. B. de C. V. and subsidiaries ("Megacable") through the sales figure of residential customers and micro-businesses, fiber network and other assets related to the operation of the massive segment in these cities in exchange for a consideration of $1,150 million pesos, thus concluding the sale of the fiber optic business of the massive segment, process that began with the sale to Televisa in December 2018. The Company recognized a gain of $519 million pesos, which is presented under discontinued operations in the consolidated statement of income.

The Company did not have an impact on cash flows due to tax consequences, as it applied tax loss carryforwards of $730,238.

Lastly, as explained in Note 22, the operations subject to the transaction are presented as discontinued operations to reflect results from January 1 to May 1, 2019, as required by IFRS. In addition, this note identifies the asset and liability balances that were disposed as of the transaction date, as well as the cash flows generated by the transaction disposed to the selling date in 2019.

k. Sale of data center in Apodaca and Querétaro

On October 3, 2019, Axtel entered into an agreement with Equinix to strengthen its co-location, interconnection and cloud solutions by entering into two agreements subject to compliance with closing conditions. Equinix acquired a new subsidiary entity of Axtel, which will house the operations and assets of three data centers that belonged to Axtel, two of these data centers are located in Querétaro and one in the metropolitan area of Monterrey. The amount of the transaction is US$175 million, which were settled in cash, except US$13 that remained as receivable in the short term. The rest of the data centers owned by Axtel, located in Monterrey, Nuevo León; Guadalajara, Jalisco and Tultitlán, Mexico City, were not part of this transaction.

Data centers presented as available for sale as of December 31, 2019 and were disposed on January 8, 2020.

l. Debt prepayment

On May 7, 2019, the Company prepaid a portion of the syndicated loan held with HSBC as the leader of the participating financial institutions in the amount of $250,000, and the disposed portion of the Committed Line with Export Development Canada of $300,000. It also made payments to Alfa SAB of $917,000 and $320,000 for principal and interest, respectively. As a result of this prepayment, the Company immediately recognized in the consolidated statement of income, the outstanding debt costs as of that date of $8,250.

03 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.

The Company included the consolidated financial statements as of and for the year ended December 31, 2019 and its respective footnotes to present a third comparative period.

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 number of new and amended IFRS and interpretations issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2021. The conclusions related to their adoption are described as follows:

Amendments to IFRS 16, Rent concessions related to Covid-19 after June 30, 2021

The amendments to IFRS 16 extend the amendment issued in May 2020 for an additional year, which introduces a practical expedient that provides lessees the option not to assess whether a rent concession that meets certain conditions is a lease modification.

The practical expedient is applicable to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in the lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments due on or before June 30, 2022 (originally due on or before June 30, 2021); and
- There is no substantive change to other terms and conditions of the lease.

Additionally, the modifications include the following changes:

- That the lessee applies such modifications for annual periods beginning on or after April 1, 2021.
- That the lessees who apply such modifications do so retrospectively, recognizing the cumulative effect of having applied the modifications initially as an adjustment to the initial balance of retained earnings at the beginning of the annual period in which the lessee applies these modifications.

The Company did not have any impacts on its consolidated financial statements due to adopting the amendment, as it did not receive any rent concessions related to COVID-19 during the year.

Phase 2 of the benchmark interest rate reform (IBOR-Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16)

Interbank offered rates (IBORs) are interest reference rates, such as LIBOR, EURIBOR and TIBOR, that represent the cost of obtaining unsecured funding, have been questioned for their long-term viability as benchmarks. The Interest Rate Benchmark Reform on its phase 2, refers to the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements and disclosure of financial instruments.

Regarding the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient which implies updating the effective interest rate at the moment in which a fallback reserve clause is activated for the substitution of the reference rate defined in the contract, without requiring the recognition of a modification in the valuation of the financial instrument.

On the other hand, regarding the hedge accounting, the amendments to IFRS 9 allow accounting hedging relationships, where the hedged item is the LIBOR rate, not to be discontinued by the elimination of such reference rate; therefore, when the Company maintains a hedging derivative financial instrument, the reserve clause of the instrument will be activated when the clause of the hedged item is activated, for example, an interest-bearing debt at variable rate LIBOR.

The company evaluated said modifications and determined that there are no significant impacts in the consolidated financial statements. The Company's debt contract includes a reserve clause and it does not have accounting hedge relationships where the LIBOR rate is part of the hedged items.

ii. New and revised IFRS in issue 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 but not yet effective. The Company does not expect that the adoption of the following standards will have a material impact on the consolidated financial statements in future periods, considering they have no significant applicability:

- Amendments to IAS 16, Property, Plant and Equipment Proceeds Before Intended Use (1)
- Amendment to IAS 37 – Cost of fulfilling Onerous contracts (1)
- Amendments to IFRS 9, Financial Instruments (1)
- Amendment to IAS 1 – Classification of Liabilities as Current or Non-current (2)
- Amendment to IAS 1 – Disclosure of accounting policies (2)
- Amendment to IAS 8 – Definition of Accounting Estimates (2)
- Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2)
- IFRS 17 – Insurance contracts (2)

(1) Effective for annual reporting periods beginning on January 1, 2022

(2) Effective for annual reporting periods beginning on January 1, 2023

c. Consolidation

iii. 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, 2021, 2020 and 2019, the main subsidiary companies of Axtel were as follows:

	Country	Stockholding interest (%) 2021	2020	2019	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	100	Mexican peso
Alestra Innovacion 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	100	Mexican peso
Contacto IP, S. A. de C. V. (3)	Mexico	-	100	100	Mexican peso
Instalaciones y Contrataciones, S. A. de C. V. (3)	Mexico	-	100	100	Mexican peso
Ingeniería de Soluciones Alestra, S. A. de C. V. (3)	Mexico	-	100	100	Mexican peso
Alestra USA, Inc. (1)	USA	100	100	100	U.S. dollar
S&C Constructores de Sistemas, S. A. de C. V. ("S&C")	Mexico	100	100	100	Mexican peso
Estrategias en Tecnología Corporativa, S. A. de C. V. ("Estratel") (2)	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.	Mexico	100	100	100	Mexican Peso
Contacto IP FTTH de México, S. A. de C. V.	Mexico	100	100	100	Mexican Peso
Alestra Servicios Móviles, S. A. de C. V. (2)	Mexico	100	100	100	Mexican Peso
Fomento de Educación Tecnológica, S.C. (4)	Mexico	100	100	-	Mexican Peso
Axtel Networks, S. A. de C. V.	Mexico	100	100	-	Mexican Peso
Servicios Axtel Networks, S. A. de C. V.	Mexico	100	100	-	Mexican Peso
AXE Redes e Infraestructura S. A. de C. V.	Mexico	100	100	-	Mexican Peso

(1) Leasing of telecommunications and infrastructure equipment.

(2) Provider of telecommunication services.

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

(4) Training and development services

As of December 31, 2021, 2020 and 2019, there are no significant restrictions for the investment in shares of the subsidiary companies mentioned above.

iv. 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.

v. 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.

vi. 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, 2021, 2020 and 2019, 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**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
United States	U.S. dollar	20.58	19.95	18.85	20.38	21.50	19.27

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, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, 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.

b. 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, 2021, 2020 and 2019, 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.

When the Company carries out major repairs or maintenance of its property, plant and equipment assets, and the cost is recognized in the carrying amount of the corresponding asset as a replacement, provided that the recognition criteria are met. The remaining portion of any major repair or maintenance is derecognized. The Company subsequently depreciates the recognized cost in the useful life assigned to it, based on its best estimate of useful life.

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	6 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, 2021, 2020 and 2019, 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. 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, 2021, 2020 and 2019, the Company recognized a termination expense in the consolidated statement of income for $39,407, $171,893 and $ 92,989, 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 Government and business segments, 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.

04 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 Possible 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 5.96, 5.78 times and 6.13 times as of December 31, 2021, 2020 and 2019, 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,		
	2021	**2020**	**2019**
Cash and cash equivalents	$ 1,613,697	$ 3,123,955	$ 857,742
Restricted cash	-	261,827	-
Financial assets at amortized cost:			
Trade and other accounts receivable	2,420,149	2,844,473	3,310,000
Financial assets at fair value with changes through profit or loss (1)			
Financial instruments (zero strike call)	-	-	92,673
Total financial assets	**$ 4,033,846**	**$ 6,230,255**	**$ 4,260,415**
Financial liabilities at amortized cost:			
Current debt	$ 252,072	$ 1,609,301	$ 131,632
Lease liability	484,254	627,024	866,098
Trade payables, related parties and sundry creditors	2,138,783	2,376,195	2,905,871
Non-current debt	12,607,365	13,034,985	13,836,310
Other non-current accounts payable	-	-	703,348
Financial liabilities measured at fair value with changes in results:			
Derivative financial instruments (1)	33,575	207,197	143,712
Total financial liabilities	**$15,516,049**	**$17,854,702**	**$18,586,971**

(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 twelve months. The net carrying amount of these accounts represents the expected cash flow at December 31, 2021, 2020 and 2019.

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

	As of December 31,					
	2021		2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:						
Debt (*)	$ 12,842,055	$ 13,152,634	$ 14,655,875	$ 14,999,100	$ 14,006,129	$ 14,737,276
Accounts payable to related parties	-	-	-	-	703,348	631,017

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

The estimated fair values as of December 31, 2021, 2020 and 2019 were determined based on discounted cash flows, 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. The primary rates used are the Interbank Equilibrium Interest Rate ("TIIE" for its acronym in Spanish) for instruments in Mexican pesos and London Interbank Offer Rate ("LIBOR") for instruments in U.S. dollars. In the case of Senior Notes issued in international markets, the Company uses the market price of such Notes at the date of the consolidated financial statements. For purposes of disclosure, measurement at fair value of financial assets and liabilities valued at amortized cost is deemed within Level 1 and 2 of the fair value hierarchy.

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, 2021, 2020 and 2019.

	USD (converted to thousands of MXP) 2021	USD (converted to thousands of MXP) 2020	USD (converted to thousands of MXP) 2019
Financial assets	$ 714,540	$ 3,075,425	$ 701,548
Financial liabilities	(10,971,150)	(12,217,941)	(11,019,701)
Foreign exchange monetary position	**$ (10,256,610)**	**$ (9,142,516)**	**$ (10,318,153)**

During 2021, 2020 and 2019, 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 $1,025,661 on the consolidated statement of income and consequently on the stockholders' equity.

Financial instruments and derivative financial instruments

Financial instruments

As of December 31, 2019, the Company had Over the Counter (OTC) transaction agreements with Bank of America Merrill Lynch (BAML), denominated "Zero Strike Call" or options, at a price closely resembling zero. The asset underlying these instruments is the market value of Axtel's CPOs. The contracts signed prior to October 2016 can only be settled in cash. As from that date, the term of the contracts yet to be settled was extended and as a result of this negotiation, the settlement method can be in cash or in shares, as decided by the Company. The original term of these contracts is 6 months and can be extended by mutual agreement between the parties; however, as this is an American type option, the Company can exercise it at any given time prior to the date of maturity.

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.

As of December 31, 2020 and 2019, the lending position of the options represents the maximum amount of its credit exposure, as showed below:

Counterparty	Notional amount	Agreement beginning date	Type of underlying asset	Fair value	
				2020	2019
Bank of America Merrill Lynch[(1)]	30,384,700	2010 y 2009	CPO's Axtel	$ -	$ 92,673
				$ -	**$ 92,673**

[(1)] During July and August of 2020, the financial instrument maintained with Bank of America Merrill Lynch was fully exercised. For the year ended December 31, 2020 and 2019, the changes in fair value of the Zero Strike Calls gave rise to a realized gain of $105,809 and an unrealized gain $8,919, respectively. These were recognized in the consolidated statement of income within financial income and expenses.

Derivative financial instruments

As of December 31, 2021, 2020 and 2019, the Company maintains 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	2019
Currency	MXN	MXN	MXN
Notional	$2,880,000	$3,380,000	$3,380,000
Coupon	TIIE28	TIIE28	TIIE28
Coupon	8.355%	8.355%	8.355%
Maturity	15 -diciembre -2022	15 -diciembre -2022	15-diciembre -2022
Swap book value	$(33,575)	$(207,198)	$(137,177)
Change in the fair value of the swap to measure ineffectiveness	$(33,520)	$(205,774)	$(135,329)
Reclassification from OCI to income	$3,989	$5,784	$653
Balance recognized in OCI net of reclassifications	$29,586	$201,414	$136,524
Ineffectiveness recognized in income	-	-	-
Change in the fair value of the hedged item to measure ineffectiveness	$40,712	$210,604	$147,478
Change in the fair value DFI vs comparative year	$173,623	$(70,021)	$(160,768)

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, 2020 and 2019, 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%, 96.7% and 100%, in 2021, 2020 and 2019, 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%, 73% and 93%, in 2021, 2020 and 2019, 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.

Because the Company has the Mexican peso (MXN) as the functional currency and maintains obligations in USD, it is exposed to foreign exchange risk. Therefore, in December 2019, it designated forward contracts as accounting hedges, where the hedged item is represented by obligations in USD and by the exchange fluctuation of the bond; the conditions of the derivative financial instruments and the considerations of their valuation as hedging instruments are mentioned below:

Characteristics	2019
Currency	USD
Total notional	US$15,900
Average strike	19.6560 MXN/USD
Maturity	May 12, 2020
Forward's book value	$(6,535)
Change in the fair value of the forwards to measure ineffectiveness	$(6,535)
Reclassification from OCI to income	$4,043
Balance recognized in OCI net of reclassifications	$2,492
Ineffectiveness recognized in income	-
Change in the fair value of the hedged item to measure ineffectiveness	$6,535
Change in the fair value FDI vs 2018	$32,723

In measuring the effectiveness of these hedges, the Company determined that they are highly effective because the changes in the fair value and cash flows of each hedged item are offset within the range of effectiveness established by management. The prospective effectiveness test for the USD/MXN exchange rate ratio resulted in 100% for 2019, confirming that there is an economic relationship between the hedging instruments and the instruments hedged. In addition, both the credit profile of the Company and the counterparty are good and are not expected to change in the medium term; therefore, the credit risk component is not considered to dominate the hedging relationship. The method that was used to evaluate the effectiveness is through a qualitative evaluation comparing the critical terms between the hedging instrument and the hedged instrument.

According to the notional amounts described and the way in which the flows of the derivatives are exchanged, the average hedging ratio for the USD/MXN exchange rate is 100% for 2019. If necessary, a rebalancing will be performed to maintain this relationship for the strategy.

The source of ineffectiveness can be mainly caused by the difference in the settlement date of the hedging instruments and the hedged items, and that the budget becomes less than the hedging instruments. For the year ended December 31, 2019, no ineffectiveness was recognized in gain or loss.

As of December 31, 2020, a gain of $63,990 was recognized in the consolidated statement of income for the settlement of said hedging instrument.

(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, 2021, 7% of Axtel's total debt generates variable interest rates while the remaining 93% generates fixed 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, 2021, 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 $8,805 and $(8,805), 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, 2021, 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 18%, 7% and 3% of the Company's total accounts receivable as of December 31, 2021, 2020 and 2019, respectively. Additionally, revenues associated to Company A for the years ended December 31, 2021, 2020 and 2019 was 4%, 3% and 2%, respectively.

Company B accounts for 5%, 3% and 4% of the Company's total accounts receivable as of December 31, 2021, 2020 and 2019, respectively. Additionally, revenues related to Company B for the years ended December 31, 2021, 2020 and 2019 was 9%, 8% and 8%, respectively.

As of December 31, 2021, 2020 and 2019, the allowance for impairment totaled $304,637, $373,335 and $1,208,739 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, 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
December 31, 2019			
Current debt	$ 131,632	$ -	$ -
Trade payable, related parties and creditors	2,905,871	-	-
Derivative financial instruments	51,814	91,898	-
Non-current debt	-	11,355,748	2,630,602
Lease liability	451,775	401,335	12,988
Non-accrued interest payable	1,094,108	3,953,055	706,960

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, 2021, the Company has short-term uncommitted, unused lines of credit for approximately $502,918 (US$24 million). Additionally, as of December 31, 2021, Axtel has committed credit lines for US$69 million, of which $606,755 (US$29 million) has been used and $823,421 (US$40 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, 2021, 2020 and 2019:

	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)

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities):				
Zero strike calls	$ 92,673	$ -	$ -	$ 92,673
Forwards	-	(6,535)	-	(6,535)
Interest rate swap	-	(137,177)	-	(137,177)
	$ 92,673	$ (143,712)	$ -	$ (51,039)

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.

05 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 the possibility that said asset is granted as collateral or guarantee against the risk of default.

g. Estimation of the lease term

The Company defines the lease term as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are probable to be exercised. The Company participates in lease contracts that do not have a defined non-cancellable term, a defined renewal period (in case it contains a renewal clause), or automatic annual renewals, so, to measure the lease liability, it estimates the contracts term considering their contractual rights and limitations, their business plan, as well as management’s intentions for the use of the underlying asset.

Additionally, the Company considers the clauses of early termination of its contracts and the probability of exercising them, as part of its estimate of the lease term.

06 CASH AND CASH EQUIVALENTS

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

	2021	2020	2019
Cash on hand and in banks	$1,305,022	$1,747,864	$139,197
Short-term investments	308,675	1,376,091	718,545
Total cash and cash equivalents	**$1,613,697**	**$3,123,955**	**$857,742**

07 RESTRICTED CASH

As of December 31, 2021, 2020 and 2019, the balance of restricted cash was $0, $261,827 (US$13 million) and $0, 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.

As of December 31, 2019, the restricted cash balance is $0 because on February 28, 2019, a ruling was handed down in favor of Alestra related to the disputes on the resale interconnection rates established between Alestra and Telmex and Telefonos del Norte ("Telnor", a subsidiary of Telmex), allowing the withdrawal of the outstanding balance of the amounts contributed to the trust and its corresponding returns.

08 TRADE AND OTHER ACCOUNTS RECEIVABLE, NET

Trade and other accounts receivable are comprised as follows:

	2021	2020	2019
Current:			
Trade accounts receivable	$2,000,084	$2,168,349	$3,634,751
Allowance for impairment of accounts receivable (1)	(304,637)	(373,335)	(1,208,739)
Trade accounts receivable, net	1,695,447	1,795,014	2,426,012
Recoverable taxes	72,605	56,775	34,674
Notes and other accounts receivable	689,442	1,041,257	860,528
Related parties	35,260	8,202	23,460
	$2,492,754	**$2,901,248**	**$3,344,674**

(1) Movements of the allowance for impairment of accounts receivables are as follows:

	2021	2020	2019
Initial balance	$373,335	$1,208,739	$2,172,343
Write-off of doubtful accounts (2)	(42,555)	48,891	45,631
Allowance for doubtful accounts for the year	(26,143)	(884,295)	(1,009,235)
Ending balance	**$304,637**	**$ 373,335**	**$1,208,739**

(2) The net variance in the allowance for doubtful accounts in 2021, 2020 and 2019 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 recovery rates allocated to the main customer segments with which the company has balances receivable in its different businesses:

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%

As of December 31, 2019		
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%

09 INVENTORIES

As of December 31, 2021, 2020 and 2019, inventories of $85,442, $78,720 and $93,982, respectively, were composed by materials and consumables.

The cost of inventories recognized as an expense and included in the cost of sales amounted to $139,778, $142,418 and $141,649 for 2021, 2020 and 2019, respectively. As of December 31, 2021, 2020 and 2019, there were no inventories pledged as collateral.

10 PROPERTY, PLANT AND EQUIPMENT

	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, 2019									
Reclassifications to the right of use	$ -	$ (217,449)	$ (721)	$ (51,092)	$ (6,862)	$ -	$ -	$ -	$ (276,124)
Net opening balance	1,056,183	12,974,137	93,476	312,307	20,994	96,684	481,905	1,069,838	16,105,524
Translation effect	-	(944)	-	-	-	-	-	-	(944)
Additions	-	9,431	109	6,413	175	-	-	1,443,097	1,459,225
Transfers	6,230	1,589,353	2,162	36,278	677	9,900	-	(1,644,600)	-
Transfers held for sale	(761,495)	(337,571)	(4,786)	(205)	-	-	(20,556)	-	(1,124,613)
Disposals	-	(116,063)	(33)	(4,882)	(963)	(156)	-	(75,008)	(197,105)
Depreciation charge recognized in the year	(28,468)	(2,790,819)	(17,623)	(130,305)	(9,047)	(25,710)	-	-	(3,001,972)
Ending balance	**$ 272,450**	**$ 11,110,075**	**$ 72,584**	**$ 168,514**	**$ 4,974**	**$ 80,718**	**$461,349**	**$ 793,327**	**$12,963,991**
As of December 31, 2019									
Cost	$ 626,382	$ 53,703,112	$503,650	$ 4,162,306	$149,149	$ 640,387	$461,349	$ 793,327	$61,039,662
Accumulated depreciation	(353,932)	(42,593,037)	(431,066)	(3,993,792)	(144,175)	(559,669)	-	-	(48,075,671)
Net carrying amount as of December 31, 2019	**$ 272,450**	**$ 11,110,075**	**$ 72,584**	**$ 168,514**	**$ 4,974**	**$ 80,718**	**$461,349**	**$ 793,327**	**$12,963,991**
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	$12,963,991
Translation effect	-	1,408	-	-	-	-	-	-	1,408
Additions	-	14,943	32	16,492	-	-	-	1,473,919	1,505,386
Transfers	(26,703)	1,315,594	7,302	10,019	-	24,033	-	(1,332,292)	(2,047)
Disposals	-	(117,272)	(151)	(183)	(70)	-	-	(33,760)	(151,436)
Depreciation charges recognized in the year	(12,853)	(2,599,835)	(14,753)	(73,169)	(4,092)	(34,950)	-	-	(2,739,652)
Ending balance	**$ 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**	**$11,577,650**
For the year ended December 31, 2021									
Net opening balance	232,894	9,724,913	65,014	121,673	812	69,801	461,349	901,194	11,577,650
Translation effect	-	505	-	-	-	-	-	-	505
Additions	-	5,022	-	833	-	-	-	1,245,026	1,250,881
Transfers	-	1,499,416	1,096	19,899	-	11,287	-	(1,531,698)	-
Disposals	-	(15,481)	(37)	(577)	(381)	-	-	(22,807)	(39,283)
Depreciation charges recognized in the year	(12,440)	(2,529,883)	(12,496)	(58,046)	(431)	(43,509)	-	-	(2,656,805)
Ending balance	**$ 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**

Of the total depreciation expense, $2,596,292, $2,667,981 and $2,879,263 were charged to cost of sales, $60,513, $71,670 and $122,709 to selling and administrative expenses, and $0, $0 and $162,780 in discontinued operations for 2021, 2020 and 2019, 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, 2021, 2020 and 2019, the Company capitalized $18,079, $12,776 and $15,434, respectively, of borrowing costs related to qualifying assets of $422,817, $583,175 and $410,323, respectively. These amounts were capitalized based on an interest rate of 7.11%, 7.59% and 7.63%, respectively.

11 RIGHT OF USE ASSET

The Company leases a different set of fixed assets including, buildings, machinery and equipment, vehicles, and computer equipment. The average term of the lease contracts is from 3 to 6 years.

i. The right of use recognized in the consolidated statement of financial position as of December 31, 2020 and 2019, 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, 2019	$ 440,826	$187,192	$ 642	$ 28,324	$ 4,263	$ 661,246
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
Accumulated depreciation 2019	**$ (238,408)**	**$(30,256)**	**$ (79)**	**$ (22,768)**	**$ (2,599)**	**$(294,110)**
Accumulated depreciation 2020	**$ (218,706)**	**$(32,355)**	**$ (79)**	**$ (27,248)**	**$ (9,586)**	**$(287,974)**
Accumulated depreciation 2021	**$ (165,857)**	**$(28,334)**	**$ (79)**	**$ (26,116)**	**$ (14,242)**	**$(234,628)**

ii. Additions to the net book value of the right of use asset as of December 31, 2021, 2020 and 2019 amounted to $240,512, $239,952 and $7,103, respectively.

Expenses recognized in the consolidated statement of income for the year ended December 31, 2021, 2020 and 2019, are as follows.

	2021	2020	2019
Rent expenses from short-term leases	$ 942,627	$ 893,842	$ 892,752

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

	Definite life				Indefinite life			
	Concessions	Trade-marks	Relation-ships with customers	Non-com-pete agreements	Software and licenses	Other	Goodwill	Total
As of January 1, 2019	$ 7,208	$ 33,724	$ 130,176	$ 60,632	$ 447,618	$306,493	$419,536	$1,405,387
Additions	23,733	-	-	-	70,246	1,026	-	95,005
Disposals	-	-	-	-	(2,895)	-	-	(2,895)
Transfers	-	-	-	-	-	-	-	-
Amortization charges recognized in the year	(2,200)	(22,392)	(18,765)	(50,271)	(206,466)	(145,146)	-	(445,239)
Ending balance as of December 31, 2019	**$ 28,741**	**$ 11,332**	**$ 111,411**	**$ 10,361**	**$308,503**	**$162,373**	**$419,536**	**$1,052,258**
Cost	$ 693,405	$258,904	$ 516,600	$ 809,793	$ 1,811,138	$ 710,411	$ 419,536	$5,219,787
Accumulated amortization	(664,664)	(247,572)	(405,189)	(799,432)	(1,502,634)	(548,038)	-	(4,167,529)
Ending balance as of December 31, 2019	**$ 28,741**	**$ 11,332**	**$ 111,411**	**$ 10,361**	**$308,504**	**$162,373**	**$419,536**	**$1,052,258**
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**

The intangible assets with indefinite life of the Company include only goodwill, which has been assigned to the Business segment. The rest of the intangible assets are of definite life.

Of the total amortization expense, $22,508, $11,757 and $2,131 were charged to cost of sales and $265,423, $344,836 and $443,108 to selling and administrative expenses in 2021, 2020 and 2019, respectively.

Company concessions

Axtel has 3 (three) single concessions for commercial use, 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.

In 2021, the Federal Telecommunications Institute (IFT for its Spanish initials) 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 commercial use 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, 2021, 2020 and 2019:

	2021	2020	2019
Discount rate, after tax	11.8%	10.2%	10.5%
Long-term growth rate	5.3%	3.2%	3.6%

13 OTHER NON-CURRENT ASSETS

	2021	2020	2019
Investments of shares	$ 1,702	$291,816	$294,530
Long-term notes receivable	20,181	-	-
Prepaid connection leases	3,961	10,468	21,238
Guarantee deposits	51,113	52,810	41,192
Prepaid maintenance	188,180	235,289	301,242
Other	94,853	62,241	83,695
Total other non-current assets	**$359,990**	**$652,624**	**$741,897**

14 TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable are analyzed as follows:

	2021	2020	2019
Current:			
Trade accounts payable	$2,138,117	$2,375,715	$2,897,853
Related parties	666	480	8,018
Value added tax and other federal and local taxes payable	430,546	1,136,511	880,277
Accrued expenses payable	161,126	244,414	207,603
Other	113,712	94,173	175,265
	$2,844,167	**$3,851,293**	**$4,169,016**
Non-current:			
Related parties	**$ -**	**$ -**	**$ 703,348**

15 PROVISIONS

	Litigation	Restructuring[1]	Total
As of January 1, 2019	$ 23,629	$ 288,755	$ 312,384
Additions	14,187	86,070	100,257
Payments	(9,326)	(183,125)	(192,451)
As of December 31, 2019	**$ 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**

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

Provisions as of December 31, 2021, 2020 and 2019 are short-term.

16 DEFERRED INCOME

Deferred income movements during the year are shown as follows:

	2021	2020	2019
Beginning balance	$116,054	$153,229	$ 536,452
Increases	413,276	491,935	1,054,418
Recognized income of the year	(443,278)	(529,110)	(1,437,641)
Ending balance	**$ 86,052**	**$116,054**	**$ 153,229**

17 DEBT

	2021	2020	2019
Banco Nacional de Comercio Exterior, S.N.C (Bancomext)	$ 3,154,745	$ 3,243,750	$ 3,263,529
Syndicated loan	-	-	1,320,000
Senior Notes	9,056,740	9,974,350	9,422,600
Export Development Canada (EDC)	605,755	987,590	-
MUFG Bank México, S.A. (MUFG)	-	200,000	-
Banco Mercantil del Norte, S.A. (Banorte)	-	110,000	-
Other loans	24,815	140,185	-
Accrued interest payable	100,021	105,809	111,853
Issuance costs	(82,639)	(117,398)	(150,040)
Total debt	12,859,437	14,644,286	13,967,942
Current portion of debt	(252,072)	(1,609,301)	(131,632)
Non-current debt	**$12,607,365**	**$13,034,985**	**$13,836,310**

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

			Interest rate				As of December 31,		
	Country	Currency	Contractual	Effective	Maturity date	Interest payment periodicity	2021	2020	2019
Bancomext	Mexico	MXP	TIIE + 2.10%	7.96%	30/08/2028	Quarterly	$ 3,154,745	$ 3,243,750	$ 3,263,529
Syndicated loan	Mexico	MXP	TIIE + 2.75%	-	-	-	-	-	1,320,000
Senior Notes	International	USD	6.375%	6.72%	14/11/2024	Semi-annually	9,056,740	9,974,350	9,422,600
EDC	Canada	MXP	TIIE + 1.75%	7.47%	24/06/2024	Monthly	50,000	50,000	-
EDC	Canada	USD	Libor + 2.00%	2.32%	24/06/2024	Monthly	555,755	937,590	-
MUFG	Mexico	MXP	TIIE + 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	Various	Various	Various	Quarterly	24,815	140,185	-
Total bank loans							12,842,055	14,655,875	14,006,129
Debt issuance costs							(82,639)	(117,398)	(150,040)
Accrued interest payable							100,021	105,809	111,853
Total debt							**$12,859,437**	**$14,644,286**	**$13,967,942**

As of December 31, 2021, annual maturities of non-current debt are as follows:

	2023	2024	2025	2026 onwards	Total[1]
Bank loans	$168,121	$ 227,459	$336,242	$2,294,359	$ 3,026,181
Senior Notes	-	9,056,740	-	-	9,056,740
Other loans	1,200	605,883	-	-	607,083
	$169,321	**$ 9,890,082**	**$ 336,242**	**$2,294,359**	**$12,690,004**

[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, 2021, 2020 and 2019 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 30) divided by financial expenses for the last four quarters of the period analyzed. This ratio cannot be less than 2.50 times.

b. 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 30) for the last 12 months.

   As of December 31, 2021, for Senior Notes, the leverage ratio cannot exceed 4.25 times and for the bank loan 4 times.

Covenants contained in credit agreements establish certain obligations, conditions and exceptions that require or limit the capacity of the Company to:

- Grant liens on assets;
- Enter into transactions with affiliates;
- Conduct a merger in which the Company is dissolved, unfavorable sale of assets; and
- Pay dividends

As of December 31, 2021, 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,		
	2021	**2020**	**2019**
Current portion:			
USD:	$ 59,061	$ 77,720	$186,801
MXN:	205,203	217,029	264,974
Current lease liability	**$264,264**	**$294,749**	**$451,775**
USD:	$134,447	$131,101	$233,049
MXN:	349,807	495,923	633,049
	484,254	627,024	866,098
Less; Current portion of lease liability	264,264	294,749	451,775
Non-current lease liability	**$219,990**	**$332,275**	**$414,323**

	2021	**2020**	**2019**
Initial balance	$ -	$ -	$ 680,405
Financial lease reclassification	-	-	740,113
Beginning balance	627,024	866,098	1,420,518
New contracts	240,512	239,952	7,103
Write-offs	(107,991)	(22,159)	-
Interest expense from lease liability	54,702	68,157	99,072
Lease payments	(332,412)	(545,855)	(638,067)
Exchange gain (loss)	2,419	20,831	(22,528)
Ending balance	**$ 484,254**	**$ 627,024**	**$ 866,098**

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

	As of December 31,		
	2021	**2020**	**2019**
Less than 1 year	$273,083	$308,942	$473,476
Over 1 year and less than 5 years	207,176	334,577	415,759
Over 5 years	16,241	6,999	12,989
Total	**$496,500**	**$650,518**	**$902,224**

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 $350,164, $290,459 and $282,312 as of December 31, 2021, 2020 and 2019, 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:

	2021	2020	2019
Obligations in the consolidated statement of financial position:			
Pension benefits	$412,105	$444,764	$405,110
Post-employment medical benefits	4,231	7,624	8,076
Defined contribution additional liability	350,164	290,459	282,312
Liability recognized in the consolidated statement of financial position	**$766,500**	**$742,847**	**$695,498**
Charge in the consolidated statement of income for:			
Pension benefits	$ 60,357	$ 68,416	$ 57,093
Medical benefits to retirement	637	603	447
	$ 60,994	**$ 69,019**	**$ 57,540**
Remeasurements for accrued employee benefit obligations recognized in other comprehensive income for the year	**$(85,986)**	**$ 29,646**	**$ 70,625**

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:

	2021	2020	2019
As of January 1	$452,388	$413,186	$345,892
Current service cost	29,600	40,105	25,023
Financial cost	31,394	28,914	32,517
Actuarial remeasurements	(85,986)	29,646	70,625
Past service cost	-	8,714	7,343
Benefits paid	(3,832)	(12,068)	(7,893)
Reductions	(7,228)	(56,109)	(60,321)
As of December 31	**$416,336**	**$452,388**	**$413,186**

The primary actuarial assumptions were as follows:

	2021	2020	2019
Discount rate	7.75%	6.75%	7.00%
Future wage increase	4.50%	4.50%	4.50%
Medical inflation rate	7.00%	6.50%	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%	($26,214)	$29,647
Medical inflation rate	1%	($5,074)	$3,560

The above-mentioned sensitivity analyses 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:

	2021	2020	2019
Current income tax	$ (9,338)	$ (49,602)	$(73,606)
Deferred income tax	393,265	(364,025)	86,766
Prior years' adjustment	(31,522)	(379,006)	2,131
Income tax (expense) benefit	**$352,405**	**$(792,633)**	**$ 15,291**

	2021	2020	2019
Income (loss) before taxes	$(1,149,147)	$1,153,888	$(353,309)
Statutory rate	30%	30%	30%
(Expense) benefit at statutory rate	344,744	(346,166)	105,993
(Plus) less tax effect on:			
Tax effects of inflation	(76,082)	(118,037)	(145,179)
Non-deductibles	(17,228)	(31,591)	(43,483)
Other differences, net	100,971	(296,839)	97,960
Total income tax (expense) benefit charged to income	**$ 352,405**	**$(792,633)**	**$ 15,291**
Effective rate	**(31)%**	**(69)%**	**(4)%**

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

	2021	2020	2019
Tax loss carryforwards	$1,118,770	$ 813,140	$1,274,483
Allowance for doubtful accounts	481,081	640,832	626,165
Property, plant and equipment	1,093,232	871,738	719,079
Provisions and other	140,288	405,326	262,916
Intangible assets and other	22,739	(190,493)	(6,356)
Deferred tax asset	$2,856,110	$2,540,543	$2,876,287
Property, plant and equipment	$ (1,128)	$ (4,401)	$ (3,489)
Intangible assets and other	(6)	2,947	2,730
Deferred tax liability	**$ (1,134)**	**$ (1,454)**	**$ (759)**

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, 2021 for which a tax asset was recognized amount to $3,729,234. The Company reserved tax losses of $73,235 since its recovery is not considered probable.

Tax losses as of December 31, 2021 expire in the following years:

Year of expiration	Amount
2023	$ 150,099
2024	121,878
2025	99,740
2026 onwards	3,357,517
	$3,729,234

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

	2021			2020			2019		
	Before taxes	Tax charged/ (credited)	After taxes	Before taxes	Tax charged/ (credited)	After taxes	Before taxes	Tax charged/ (credited)	After taxes
Effect of currency translation	$ 732	$ -	$ 732	$ 1,152	$ -	$ 1,152	$ (2,468)	$ -	$ (2,468)
Derivative financial instruments of hedging	171,827	(51,548)	120,279	(62,399)	18,720	(43,679)	(127,057)	38,117	(88,940)
Remeasure-ments of employee benefits	85,986	(25,796)	60,190	(29,646)	8,894	(20,752)	(70,625)	21,187	(49,438)
	$258,545	**$ (77,344)**	**$181,201**	**$(90,893)**	**$ 27,614**	**$(63,279)**	**$(200,150)**	**$ 59,304**	**$(140,846)**

21 STOCKHOLDERS' EQUITY

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.

At the General Ordinary Stockholders' Meeting held on February 26, 2019, a fund for the repurchase of shares of $150 million pesos was approved. It was also approved to reclassify the share issue premium to accrued results of $159,551 as a step prior to the creation of a stock repurchase reserve.

As of December 31, 2021, 2020 and 2019, the balance of the reserve for the repurchase of share is $190,124, $186,320 and $93,464, 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, 2019	20,249,227,481
Repurchase of shares	174,314,077
Shares as of December 31, 2019	**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**

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, 2021, the tax value of the CUFIN and tax value of the Capital Contribution Account (CUCA from Spanish) amounted to $1,302,234 and $27,692,963, 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 DISCONTINUED OPERATIONS

Masive Segment Disposition

On May 1, 2019, the Company entered into a final agreement for the divestiture of the last phase of its fiber optic business (FTTx) from the massive segment located in León, Puebla, Toluca, Guadalajara and Querétaro in the amount of $1,150 million pesos to Megacable Holdings, S. A. B. de C. V. and subsidiaries ("Megacable"). Axtel transferred to Megacable 55 thousand residential customers and micro-businesses, 1,370 km of fiber network and other assets related to the operation of the massive segment in these cities.

Condensed information related to the consolidated statement of income of the discontinued operation for the period ended May 1, 2019:

	2019
Revenues	$ 302,367
Cost of sales	(263,283)
Gross profit	39,084
Administration and selling expenses	(317,567)
Operating loss	(278,483)
Loss before taxes	(278,483)
Income taxes	83,545
Loss net income	(194,938)
Gain on sale of the discontinued operation	519,016
Income from discontinued operations, net of income taxes	**$ 324,078**

As of the date of the transaction held in 2019, the gain on sale of discontinued operations for $519,016, net of taxes, was determined by comparing the sale price of $1,150,000, less the net assets sold, transaction costs and tax effects for a total of $630,984.

Condensed information regarding the cash flows of the discontinued operation for the period ended May 1, 2019:

	2019
Cash flows from operating activities	$ (29,633)
Cash flows from investment activities	1,150,000

23 REVENUES

a. Income for services:

	2021	2020	2019
Voice	$1,023,919	$ 1,283,749	$ 1,873,716
Managed networks	3,598,641	4,074,645	4,056,632
Internet data	4,553,229	4,551,367	4,419,477
Administrative applications	222,787	305,967	360,404
Hosting	359,020	518,727	740,579
System integration	686,741	770,191	557,797
Security	506,289	464,395	410,300
Cloud services	335,385	298,565	269,069
Other services	103,483	88,375	95,659
Total	**$11,389,494**	**$12,355,981**	**$12,783,633**

b. Income by geographical areas:

	2021	2020	2019
Mexico	$11,376,083	$12,319,963	$12,743,540
Outside Mexico	13,411	36,018	40,093
Total	**$11,389,494**	**$12,355,981**	**$12,783,633**

24 EXPENSES CLASSIFIED BY THEIR NATURE

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

	2021	2020	2019
Service cost [1]	$ 3,138,292	$ 3,458,788	$ 3,353,046
Employee benefit expenses (Note 27)	2,360,066	2,633,733	2,456,136
Maintenance	599,006	677,386	797,674
Depreciation and amortization	3,179,364	3,384,219	3,578,541
Advertising expenses	21,544	54,225	63,864
Energy and fuel consumption	257,394	272,669	351,402
Travel expenses	11,833	20,342	53,864
Lease expenses	942,627	893,842	892,752
Technical assistance, professional fees and administrative services	132,483	165,850	250,946
Other	101,278	22,296	148,120
Total	**$10,743,887**	**$11,583,350**	**$11,946,345**

[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.

25 OTHER (EXPENSES) INCOME, NET

	2021	2020	2019
Impairment of non-current assets	$ (30,790)	$ (170,315)	$(113,462)
Impairment of investments	(290,114)	-	-
(Loss) gain on sale of property, plant and equipment [1]	(1,327)	2,022,963	(5,046)
Other income, net	(31,128)	147,221	55,055
Total other (expenses) income, net	**$(353,359)**	**$1,999,869**	**$ (63,453)**

[1] It includes the sale of the data centers. See Note 2.h.

26 FINANCIAL RESULT, NET

	2021	2020	2019
Financial income:			
Interest income on short-term bank deposits	$ 24,909	$ 38,878	$ 54,679
Other financial income	-	-	5,574
Total financial income	**$ 24,909**	**$ 38,878**	**$ 60,253**
Financial expenses:			
Interest expense on bank loans	$ (357,867)	$ (408,080)	$ (562,108)
Interest expense on senior notes	(650,613)	(817,685)	(644,331)
Interest expense on leases	(54,702)	(68,157)	(99,072)
Expenses related to other interest and commissions	-	-	(1,626)
Financial expenses related to employee benefits	(31,394)	(28,914)	(32,517)
Other financial expenses	(94,133)	(55,179)	(129,098)
Total financial expenses	**$(1,188,709)**	**$(1,378,015)**	**$(1,468,752)**
Exchange fluctuation (loss) gain, net:			
Gain on exchange fluctuation	$ 7,601,212	$ 7,217,500	$ 2,855,976
Loss on exchange fluctuation	(7,878,807)	(7,602,784)	(2,565,701)
Exchange fluctuation (loss) gain, net	**$ (277,595)**	**$ (385,284)**	**$ 290,275**

27 EMPLOYEE BENEFIT EXPENSES

	2021	2020	2019
Salaries, wages and benefits	$1,933,976	$2,191,558	$2,028,983
Social security fees	327,803	338,279	335,709
Employee benefits	29,600	40,105	25,023
Other fees	68,687	63,791	66,421
Total	**$2,360,066**	**$2,633,733**	**$2,456,136**

28 TRANSACTIONS WITH RELATED PARTIES

Balances with related parties as of December 31, 2021, 2020 and 2019, were as follows:

			December 31, 2021				
			Loans received from related parties				
	Accounts receivable	Accounts payable	Amount	Interest	Currency	Expiration date	Interest rate
Affiliates	$35,260	$ 666	$ -	$ -	$ -	-	-
Total	**$35,260**	**$ 666**	**$ -**	**$ -**	**$ -**	**-**	**-**

			December 31, 2020				
			Loans received from related parties				
	Accounts receivable	Accounts payable	Amount	Interest	Currency	Expiration date	Interest rate
Affiliates	$ 8,202	$ 480	-	-	-	-	-
Total	**$ 8,202**	**$ 480**	**-**	**-**	**-**	**-**	**-**

			December 31, 2019				
			Loans received from related parties				
	Accounts receivable	Accounts payable	Amount	Interest	Currency	Expiration date	Interest rate
Holding company	$ -	$ -	$ 219,600	$ 1,881	MXP	28/02/19	TIIE + 2.25%
Holding company [(1)]			483,748	4,144	MXP	28/02/21	TIIE + 2.25%
Affiliates	23,460	8,018	-	-			
Total	**$23,460**	**$8,018**	**$ 703,348**	**$6,025**			

[(1)] Indemnification (See Note 2).

Transactions with related parties for the years ended December 31, 2021, 2020 and 2019, 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, 2021	
	Income	Costs and expenses	
	Telecommunication services	Interests	Others
Holding company	$ -	$ -	$ -
Affiliates	145,073	-	7,387
Total	**$ 145,073**	**$ -**	**$ 7,387**

		Año terminado el 31 de diciembre de 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**

		Año terminado el 31 de diciembre de 2019	
	Income	Costs and expenses	
	Telecommunication services	Interests	Others
Holding company	$ -	$ -	$ 84,935
Affiliates	165,087	5,803	-
Total	**$ 165,087**	**$ 5,803**	**$ 84,935**

For the year ended December 31, 2021, compensation and benefits paid to the Company's main officers totaled $66,098 ($116,791 in 2020 and $106,080 in 2019), 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.

29 CONTINGENCIES AND COMMITMENTS

As of December 31, 2021, 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 of amparo filed by Telcel against the rates of the year 2018 determined by the IFT.

iii. Current status: second instance, suspended on the instruction of the Suprema Corte de Justicia de la Nación (SCJN), for being related to a series of lawsuits to be resolved by this Court. It is considered that they will eventually lift the suspension, since, in 2021, the SCJN resolved the amparo in review 1091/2019 (Telcel vs ATT), and the various amparos in review 489/2020 (Telcel vs Alestra Innovation), denying the amparo to Telcel, for which the outlook is favorable.

2019 rates

i. An amparo lawsuit, in matters of ITX and virtual mobile networks, where Axtel appears as an interested third party.

ii. January 2019: The Company was notified of a writ of amparo filed by Telcel against the rates determined by the IFT, in terms of ITX and as Axtel's Virtual Mobile Operator (OMV), for the period of 2019.

i. Current status, first instance, 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.

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 the outlook for the matter is favorable.

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.

<u>2018 rates</u>

i. Two amparo lawsuits, on ITX and virtual mobile networks, where Axtel is an interested third party.

ii. January 2018: the Company was notified of two writs filed by Telefonica against the rates for the 2018 period determined by the IFT.

iii. June 2018: the Company was notified of an amparo lawsuit filed by Telefonica against OMV's ITX rates for the period of 2018, determined by the IFT.

iv. Current status: In first instance, the suspension was lifted by instruction of the SCJN, so the trial continues, while the trial related to ITX and Axtel's Virtual Mobile Operator (OMV) remains suspended. Given the precedents resolved by the SCJN, the outlook is favorable.

<u>2019 rates</u>

i. An amparo lawsuit, on ITX and virtual mobile networks, where Axtel is an interested third party.

ii. June 2019: the Company was notified of an amparo 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.

<u>2020 rates</u>

i. Two amparo lawsuits, on ITX and virtual mobile networks, where Axtel is an interested third party.

ii. June 2020: the Company was notified of a lawsuit filed by Telefonica against the rates for the year 2020, determined by the IFT.

iii. Current status: 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 Iusacell (today 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: In first instance, pending judgement. Given the precedents resolved by the SCJN, the outlook is favorable.

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. Two lawsuits 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

iii. Current status: The OMV trial in the first instance, and the ITX trial in the second instance. Given the precedents resolved by the SCJN, added to the various litigations that Telmex/Telnor have presented and where Axtel's interests have prevailed, the matter is projected as favorable.

2019 rates

i. Two lawsuits 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: In the second instance, a lawsuit was filed against the ITX tariff, and in which the suspension instructed by the SCJN was lifted, while the trial related to OMV is suspended in the first instance. Given the precedents resolved by the SCJN, added to the various litigations that Telmex/Telnor have presented and where Axtel's interests have prevailed, the matter is projected as favorable.

<u>2020 rates</u>

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

ii. January 2020: The Company was notified of one amparo lawsuit, against the rates for the 2020 period, determined by the IFT

iii. Current status: In first instance. Given the precedents resolved by the SCJN, added to the various litigations that Telmex/Telnor have presented and where Axtel's interests have prevailed, the matter is projected as favorable.

<u>2021 rates</u>

i. An amparo lawsuit, on ITX and virtual mobile networks, where Axtel is an interested third party.

ii. February 2021: the Company was notified of an amparo lawsuit filed against the rates for the year 2021.

iii. Current status: In first instance.

As of December 31, 2021, 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.

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 has filed various ordinary lawsuits in which it claims Axtel to pay for some purchase orders for managed services, as well as interest, damages and lost profits in addition to legal expenses and costs.

Lawsuits concerning the Government of Nuevo León, the National Population Registry and the Government of Tamaulipas are currently at a trial level.

The lawsuits concerning the Merger Opposition agreements, the Secretariat of Labour and Social Welfare, CONAFOR, Registro Nacional de Población, 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 these claims will succeed and, therefore, there are no book provisions associated with this contingency.

Lawsuits between Axtel vs. Integradores y Operadores del Norte S. A. de C. V.

ii. Axtel, in 2007, hired Integradores y Operadores del Norte S.A. de C.V. (ION).

In 2017, ION filed a commercial lawsuit claiming Axtel to pay $ 113,000 for services, interest, damages and costs.

In October 2020, Integradores y Operadores del Norte, S.A. de C.V, obtained a favorable protection, managing to modify the sentence in his favor to collect $ 12,199 from Axtel; however, Axtel fought the new resolution.

As of the date of issuance of the consolidated financial statements, the Company is reserving the corresponding provisions for the sentence issued.

Compensatory Procedures in the Federal Superior Auditors (“ASF” for its Spanish initials)

iii. By May 2019, the ASF determined a compensation liability of $34,118, which was challenged by the TFJA, which, in April 2021, issued a judgment against the interests of the company, which is why an amparo proceeding was filed, which is in process.

With respect to the foregoing, in December 2019, the SAT notified S&C of an update and surcharges of $38,024, a determination that will be challenged and which is pending.

The administrative enforcement procedure is suspended by the Administrative Court, and the guarantee of the tax liability is pending.

In this regard, the Company and its advisors consider an average possibility of obtaining a favorable result from the administrative-law action or, where appropriate, from the appeal.

Other contingencies and notes:

iv. 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, have suspended terms and periods in various periods of 2020 and 2021, thus prolonging the processing and resolutions of the matters where the Company is part of.

30 SEGMENT INFORMATION

As of 2020, 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. Therefore, derived from the new approach of evaluating the business, the segment information of 2019 has been restructured for comparative purposes.

The service segment portfolio for the business and government clients includes advanced solutions for managed networks, collaboration and information technology (IT) such as systems integration, cloud services, cybersecurity, among others. On the other hand, the connectivity solutions of the 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 43,300 kilometers of fiber (including 11,600 kilometers of capacity), with which it has the capacity to provide coverage to more than 90% of the Mexican market.

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, the impairment of non-current assets and the adjusted EBITDA of the massive segment that is presented as a discontinued operation in accordance with IFRS; 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:

	2021			
	Services	Infrastructure	Inter-units	Total
Sales by segment	$8,827,534	$5,016,696	$(2,454,736)	$11,389,494
Service cost	(5,177,136)	(415,892)	2,454,736	(3,138,292)
Expenses	(792,305)	(58,636)	-	(850,941)
Business unit contribution (BUC)	2,858,093	4,542,169	-	7,400,262
Unallocated expenses	(1,319,813)	(2,287,933)	-	(3,607,746)
Adjusted EBITDA	1,538,280	2,254,236	-	3,792,516
Impairment of non-current assets				(320,904)
Depreciation and amortization				(3,179,364)
Depreciation and amortization of discontinued operations				-
Less the effects of discontinued operations				-
Operating income				292,248
Financial result, net				(1,441,395)
Financial result, net of discontinued operations				-
Loss before taxes				**$ (1,149,147)**

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

	2019			
	Services	Infrastructure[2]	Inter-units	Total
Sales by segment	$10,176,900	$ 5,170,315	$(2,563,582)	$ 12,783,633
Service cost	(5,434,750)	(481,878)	2,563,582	(3,353,046)
Expenses	(972,418)	(69,772)	-	(1,042,190)
Business unit contribution (BUC)	3,769,732	4,618,665	-	8,388,397
Unallocated expenses	(1,590,692)	(2,331,868)	-	(3,922,560)
Adjusted EBITDA	2,179,040	2,286,797	-	4,465,837
EBITDA of discontinued operations				625,749
Adjusted EBITDA plus discontinued operations				5,091,586
Impairment of non-current assets				(113,462)
Depreciation and amortization				(3,578,541)
Depreciation and amortization of discontinued operations				(162,780)
Less the effects of discontinued operations (1)				(462,968)
Operating income				773,835
Financial result, net				(1,127,143)
Financial result, net of discontinued operations				-
Income (loss) before tax				**$(353,308)**

[1] The items of the discontinued operation that were analyzed as operating item in 2019 are comprised of the operating income of the massive segment plus the gain on sale of the discontinued operation of $519,016, presented in Note 22, gross of the corresponding taxes.

[2] Includes the results of the data center transaction.

31 SUBSEQUENT EVENTS

In preparing the consolidated financial statements, the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2021 and through January 31, 2022, (issuance date of the consolidated financial statements), has not identified any relevant events.

32 AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

On January 31, 2022, the issuance of the accompanying consolidated financial statements was authorized by Eduardo Escalante Castillo, Chief Executive Officer, Adrián de los Santos Escobedo, Chief Financial Officer, and José Salvador Martín Padilla, Corporate Controller.

These consolidated financial statements are subject to the approval of the Company's ordinary stockholders' meeting.

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REPORT PARAMETERS

As is the case every year, we share with our stakeholders the company's operating, financial, environmental, social, and corporate governance results in our Annual Integrated Report 2021.

The ESG and financial information reported corresponds to Axtel's operations in Mexico and therefore does not include the results of other companies, entities, institutions, shareholders, customers, or business partners.

Our Executive Officers are involved in the preparation of this report, offering their perspective on the most relevant material issues and milestones of the year and are responsible for reviewing and approving the final version of Axtel's Comprehensive Annual Report.

Axtel has reported in accordance with the GRI Standards for the period January 1 to December 31, 2021. It also complies with the requirements of the Sustainability Accounting Standards Board (SASB) applicable to the telecommunications, software and IT services industries of which we form part.

In the interests of improving the quality of information disclosed concerning our climate-related risks and opportunities, in this report we address some of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

At Axtel we are interested in ensuring the information reported to stakeholders is reliable. For this reason, **the Annual Integrated Report 2021 was verified by e3 Consultora Ambiental, a third party independent of our organization.**

GRI

SASB

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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. 9
	2-2	Entities included in the organization's sustainability reporting.	89
	2-3	Reporting period, frequency and contact point.	170, 183
	2-4	Restatements of information.	170
	2-5	External assurance.	170
2. Activities and workers			
GRI 2 General Disclosures 2021	2-6	Activities, value chain, and other business relationships.	9, 10, 13, 21
	2-7	Employees.	62
	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
	2-12	Role of the highest governance body in overseeing the management of impacts.	79
	2-13	Delegation of responsibility for managing impacts.	79
	2-14	Role of the highest governance body in sustainability reporting.	170
	2-15	Conflicts of interest.	90, 91
	2-16	Communication of critical concerns.	94
	2-17	Collective knowledge of the highest governance body.	81, 82, 83, 84
	2-18	Evaluation of the performance of the highest governance body.	Information unavailable.
	2-19	Remuneration policies.	79
	2-20	Process to determine remuneration.	79
	2-21	Annual total compensation ratio.	64

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.	44, 45, 90, 91, 95
	2-24	Embedding policy commitments.	90, 91, 95
	2-25	Processes to remediate negative impacts.	92
	2-26	Mechanisms for seeking advice and raising concerns.	93
	2-27	Compliance with laws and regulations.	94
	2-28	Membership associations.	50
5. Stakeholder engagement			
GRI 2 General Disclosures 2021	2-29	Approach to stakeholder engagement.	46
	2-30	Collective bargaining agreements.	Not aplicable.
GRI 3 Material Topics 2021			
GRI 3 Material Topics 2021	3-1	Process to determine material topics.	47
	3-2	List of material topics.	47
	3-3	Management of material topics.	47

TOPIC STANDARDS

GRI Standard		Content	Page or response
GRI 200: Economic standards			
GRI 201 Economic performance 2016	201-1	Direct economic value generated and distributed.	97, 98
	201-2	Financial implications and other risks and opportunities due to climate change.	33
	201-3	Defined benefit plan obligations and other retirement plans.	67
	201-4	Financial assistance received from government.	During 2021 Axtel did not received financial assistance from the government in any form.
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.	63
GRI 204 Procurement practices 2016	204-1	Proportion of spending on local suppliers.	27

GRI Standard	Content		Page or response
GRI 205 Anti-corruption 2016	205-1	Operations assessed for risks related to corruption.	27, 91
	205-2	Communication and training about anti-corruption policies and procedures.	91
	205-3	Confirmed incidents of corruption and actions taken.	94
GRI 206 Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	94
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 302 Energy 2016	302-1	Energy consumption within the organization.	53
	302-2	Energy consumption outside of the organization.	53
	302-3	Energy intensity.	55
	302-4	Reduction of energy consumption.	55
GRI 303 Water and effluents 2018	303-1	Interactions with water as a shared resource.	60
	303-3	Water withdrawal.	60
	303-4	Water discharge.	60
	303-5	Water consumption.	60
GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions.	57
	305-2	Energy indirect (Scope 2) GHG emissions.	58
	305-3	Other indirect (Scope 3) GHG emissions.	58
	305-4	GHG emissions intensity.	59
	305-5	Reduction of GHG emissions.	57, 58

GRI Standard	Content		Page or response
GRI 306 Waste 2020	306-1	Waste generation and significant waste-related impacts.	60
	306-2	Management of significant waste-related impacts.	60
	306-3	Waste generated.	60
	306-4	Waste diverted from disposal.	60
	306-5	Waste directed to disposal.	60
GRI 308 Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria.	27
	308-2	Negative environmental impacts in the supply chain and actions taken.	27
GRI 400: Social standards			
GRI 401 Employment 2016	401-1	New employee hires and employee turnover.	65
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	67
	401-3	Parental leave.	67
GRI 403 Occupational health and safety 2018	403-1	Occupational health and safety management system.	68
	403-2	Hazard identification, risk assessment, and incident investigation.	68
	403-3	Occupational health services.	69
	403-4	Worker participation, consultation, and communication on occupational health and safety.	68
	403-5	Worker training on occupational health and safety.	70, 71
	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.	68, 69
	403-8	Workers covered by an occupational health and safety management system.	68
	403-9	Work-related injuries.	72
	403-10	Work-related ill health.	72

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.	67, 73, 74, 75, 95
	404-3	Percentage of employees receiving regular performance and career development reviews.	76
GRI 405 Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees.	62, 63, 64
	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.	94
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.	95
GRI 408 Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor.	95
GRI 409 Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor.	95
GRI 410 Security practices 2016	410-1	Security personnel trained in human rights policies or procedures.	95
GRI 411 Rights of indigenous peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples.	During 2021 we did not received any cases for this concept.
GRI 413 Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs.	77
GRI 414 Suppler social assessment 2016	414-1	New suppliers that were screened using social criteria.	27
	414-2	Negative social impacts in the supply chain and actions taken.	27
GRI 415 Public policy 2016	415-1	Political contributions.	At Axtel we do not grant this type of contributions.
GRI 417 Marketing and labeling 2016	417-3	Incidents of non-compliance concerning marketing communications	94
GRI 418 Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	29

SASB CONTENT 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.	53
	Extra	Weighted average effectiveness of energy use for Data Centers.	53
	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.	60 Partially reported.
	TC-SI-130a.3	Discussion of the integration of environmental considerations into strategic planning for data center needs.	Not reported.

SASB indicator		Content	Page or response
	TC-SI-220a.1 TC-TL-220a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable.	29
	TC-SI-220a.2 TC-TL-220a.2	Weighted average effectiveness of energy use for Data Centers.	29
	TC-SI-220a.3 TC-TL-220a.3	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress.	29
	TC-SI-220a.4 TC-TL-220a.4	Discussion of the integration of environmental considerations into strategic planning for data center needs.	29
Data Privacy & Freedom of Expression	TC-SI-220a.5	Description of policies and practices relating to behavioral advertising and user privacy.	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.

SASB indicator		Content	Page or response
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.	29
	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.	28
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.	76
	TC-SI-330a.3	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees.	62
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.
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.	94
	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.	31
Managing Systemic Risks from Technology Disruptions	TC-SI-550a.1	Number of (1) performance issues and (2) service disruptions; (3) total customer downtime.	32
	TC-SI-550a.2	Description of business continuity risks related to disruptions of operations.	31
Managing Systemic Risks from Technology Disruptions	TC-TL-550a.1	(1) System average interruption frequency and (2) customer average interruption duration.	32
	TC-TL-550a.2	Discussion of systems to provide unimpeded service during service interruptions.	31

SASB indicator		Content	Page or response
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.	1,304 Racks, 59% outsourced.
	TC-SI-000.C	(1) Amount of data storage, (2) percentage outsourced.	0.424 Petabytes, 71% 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.	1,099.5 Gigabits per second (peak hour data).

TCFD INDEX

TCFD		Content	Page or response
TCFD - Governance	a)	Describe the board's oversight of climate-related risks and opportunities.	33
	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.	33 Partially reported.
	b)	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	33 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.	33, 34
	b)	Describe the organization's processes for managing climate-related risks.	33, 34
	c)	Describe how processes for identifying, assessing, and managing climated-related risks are integrated into the organization's overall risk management.	33, 34
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
	c)	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	54

VERIFICATION LETTER

Informe de verificación independiente 2021

Se comunica a los grupos de interés de la verificación externa del Informe Annual Integrado 2021 de lo siguiente:

RYM Servicios Ambientales Internacionales S.C, en adelante e3 Consultora Ambiental, ha concluido la revisión independiente de los contenidos de desempeño sustentable de Axtel, S.A.B de C.V., en adelante Axtel, correspondientes al periodo de 2021.

1. Resumen de actividades

e3 Consultora Ambiental revisó los indicadores de gobierno corporativo, ética, impacto económico, medio ambiente, prácticas laborales y derechos humanos, a incluirse dentro del Informe Annual Integrado 2021 de Axtel.

Para validar la calidad de indicadores presentados en el Informe Anual Integrado 2021 de Axtel, se solicitó acceso a los registros consolidados de información que fueron proporcionados por un único compilador de la información; dicha información fue proporcionada al compilador por los diferentes departamentos involucrados en la integración del informe.

Con base en los asuntos materiales identificados por la compañía, se comprobó la cobertura de contenidos del Global Reporting Initiavite (GRI) para un informe de conformidad con la opción 'Esencial', de acuerdo con los Estándares GRI.

2. Metodologías

La preparación de este informe de verificación se ha hecho con base en los estándares GRI, empleando como estandar base el GRI 101: Fundamentos 2016.

La aplicación de los principios para la elaboración de informes, relativos a la definición del contenido y a la calidad del informe, así cómo la cobertura de temas materiales y la presentación del índice de contenidos GRI, se corroboró conforme a los lineamientos del estándar GRI 101: Fundamentos 2016.

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3. Muestra de indicadores verificados

Tema	Estándares verificados
[100] Universales	102 y 103
[200] Económico	201-207
[300] Ambiental	302, 305, 306,
[400] Social	401, 402, 403, 405, 406, 407 y 410

4. Conclusiones

- No se evidenció que la definición de los contenidos del informe no se haya efectuado con base en los principios de participación de grupos de interés, contexto de sustentabilidad, materialidad y exhaustividad.
- No se presentaron situaciones que nos lleven a concluir que hay errores u omisiones considerables sobre la información divulgada en el Informe Anual Integrado 2021 de Axtel, con base en la revisión de las evidencias que respaldan las cifras de una muestra de indicadores de la memoria.
- No hay evidencia que nos lleve a contradecir que el Informe Anual Integrado 2021 de Axtel ha sido elaborado de conformidad con la opción Esencial de los Estándares GRI.

NOTAS. *Este trabajo corresponde a un ejercicio de verificación limitada, llevado a cabo bajo encargo de Axtel y ha concluido en el mes de marzo del 2022. De ningún modo puede entenderse como un trabajo de auditoría de las cifras presentadas en el informe o a los mecanismos de control interno para la generación, análisis, cálculo y acervo de la información no financiera de Axtel. e3 Consultora Ambiental es una firma independiente a la compañía que reporta. El equipo verificador no participó bajo ninguna medida en la elaboración del Informe Anual Integrado 2021 de Axtel.*

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