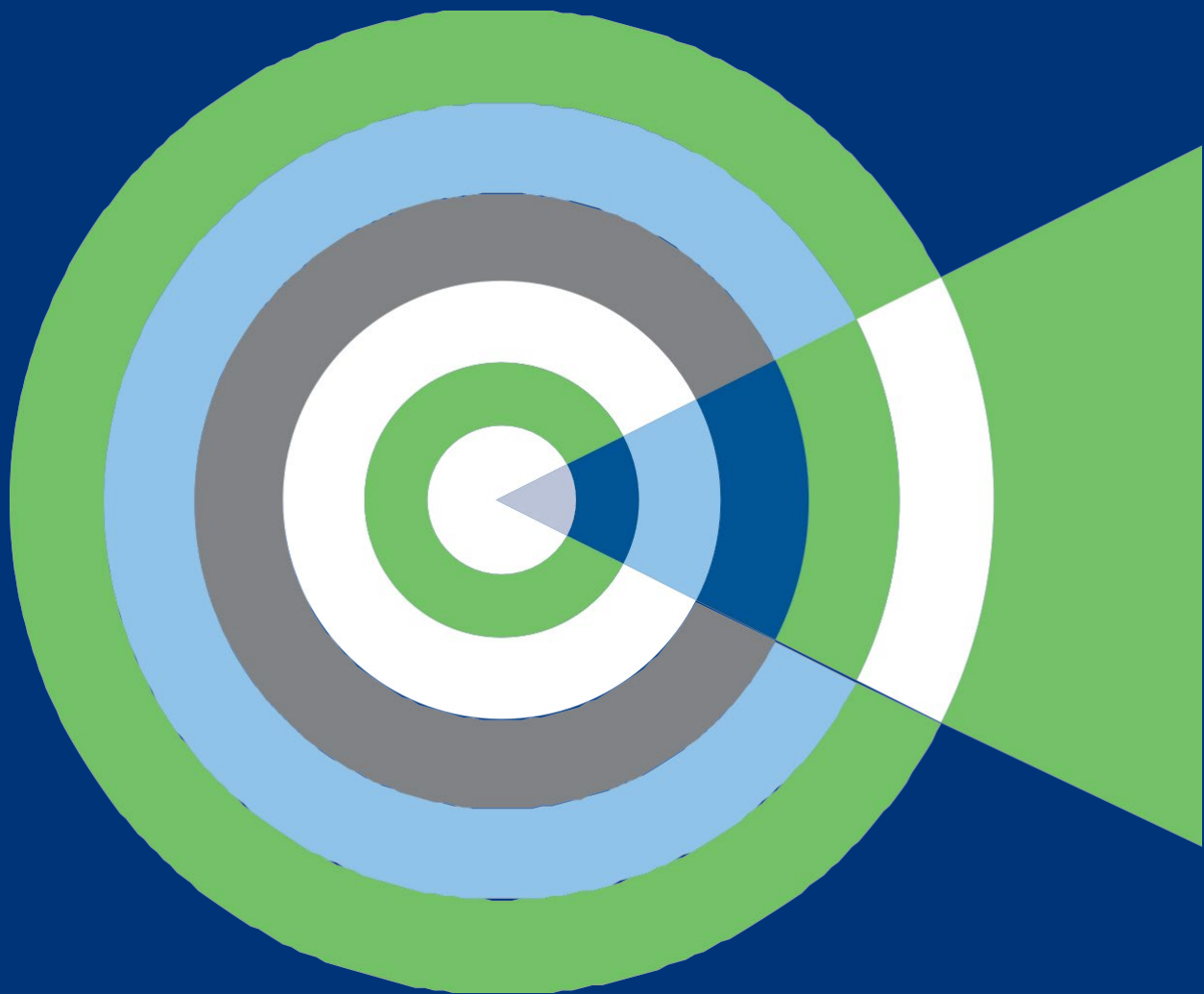


DOING BUSINESS

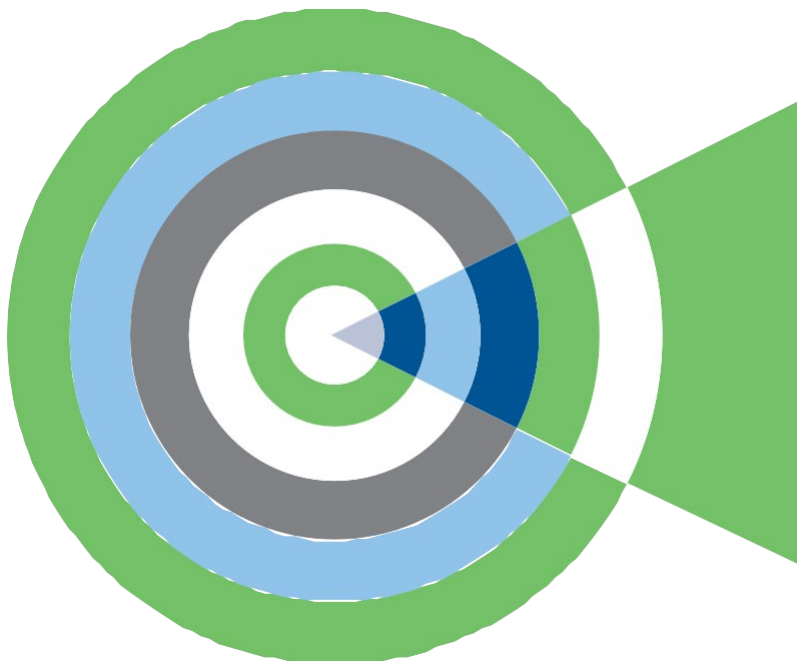
IN ECUADOR



The network
for doing
business

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1. INTRODUCTION

UHY is an international organization providing audit, accountancy, business management and consultancy services through financial business centers in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering a business operation in Ecuador has been provided by the office of UHY's representative there:

Freddy Mauricio Cevallos Bustamante

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You are invited to contact m.arroyo@uhyecuador.ec with any further inquiries you may have.

Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2024.

We look forward to helping you do business in Ecuador.

UHY Assurance & Services Cía. Ltda. (the 'Firm') is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

2. BUSINESS ENVIRONMENT

BACKGROUND

Located in northwestern South America, the Republic of Ecuador is bordered by Colombia to the north, Peru to the East and South, and the Pacific Ocean on the west. The Galapagos Islands, in the Pacific Ocean, are also part of Ecuador. The Ecuadorian government has five branches: Executive Branch (President, Vice President and Ministers), Legislative Branch (National Assembly), Judicial Branch (Judicial Council, National Court of Justice and other courts), Electoral Branch (for elections and referendums), and Citizen Participation Branch (Citizen Participation and Social Control Council, Ombudsman's Office, the Comptroller General of the State and the superintendence's). The President of the Republic and all of the members of the National Assembly are elected democratically through popular vote for 4-year terms.

All citizens 16 or older may vote, but voting is mandatory for those between 18 and 65 years of age.

POPULATION

As of 2024, Ecuador's population is estimated at approximately 18.34 million people, showing a slight increase from previous years. The country's population is roughly split between women and men, with women making up a slight majority.

The major cities of Ecuador have significant populations, with Quito and Guayaquil being the largest. Quito's population is about 1.4 million, while Guayaquil has approximately 2.35 million residents. Cuenca, another major city, has a population of around 277,000.

As of September 2023, the informal employment rate in Ecuador was 54.4%, indicating that a significant portion of the workforce is engaged in jobs that do not provide formal labor rights or social security benefits. Meanwhile, the rate of adequate employment, where individuals earn at least the minimum wage and work full hours, was 35.5%. This includes both formal and informal sectors. Unemployment was reported at 3.7% during the same period

GEOGRAPHY

Ecuador has a total surface area of 283,520 km², including the Galapagos Islands.

The capital is Quito, which is the cultural, banking and financial hub of the country, as well as the site of central government, while Guayaquil is the main port city and the primary trade center.

Ecuador is geographically divided into four regions:

- The highlands, with its Andean peaks and valleys, mountainous plains, snow-covered volcanoes, and mild to cold temperature.
- The coast, with its lowlands and beaches along the Pacific Ocean, and a warm and humid climate.
- The Amazon jungle, with its rainforests and tropical-humid climate.
- The Galapagos Islands, located approximately 1,000 kilometers off the Ecuadorian coast.

CURRENCY

Ecuador adopted the US Dollar as its official currency in 2000, which is used throughout the country. As of March 2024, the inflation rate in Ecuador was reported at 1.66%, marking a slight increase from the previous month's rate of 1.43%. This uptick in inflation follows a period of five months during which the rate of inflation was decreasing.

LANGUAGE AND RELIGION

The official language of the country is Spanish, but English is widely used throughout the business community.

The predominant religion in the country is Roman Catholic.

ECONOMY

As of 2024, Ecuador's economic landscape shows mixed signals, with challenges and opportunities coexisting. Here's an updated overview:

Economic Growth: Ecuador's economy is projected to grow moderately. The GDP growth was reported at 2.6% for 2023 and is anticipated to maintain a similar pace.

Oil Production and Exports: The oil sector remains a crucial part of the economy, though it has been subject to fluctuations due to global market conditions and local challenges, such as political instability which affects investment.

Inflation: Inflation rates have been relatively stable, with a recorded rate of around 3.7% in 2022, which is one of the lowest in Latin America. By March 2024, it slightly rose to 1.66%.

Employment and Industry: Key sectors for employment include services, manufacturing, and agriculture. The service sector dominates, contributing to 59% of the GDP, with manufacturing and agriculture also playing significant roles.

Poverty and Social Metrics: Efforts to reduce poverty have faced setbacks due to economic and political challenges.

Remittances: Remittances continue to be a vital part of the economy, with significant contributions from the United States, Spain, and Italy.

Foreign Direct Investment (FDI): FDI flows have been subdued, and the government has been actively seeking to improve the investment environment to attract more foreign investment (state).

PRINCIPAL EXPORTS

The main products exported by Ecuador and their key attributes are listed hereunder:

- **Petroleum:** this is the primary product exported by the country.
- **Banana:** three out of every ten bananas eaten around the world are produced in Ecuador, which is the number one exporter high quality, delicious bananas.
- **Cacao:** Ecuador is currently the world's largest supplier of fine aroma cacao, and cacao is the oldest exported product of the country.
- **Coffee:** given its geographical location and the climate, Ecuador is one of the few countries in the world that produces almost all varieties of green coffee.

- Flowers: flowers from Ecuador are considered the best in the world due to their unequalled quality, diversity and beauty.
- Mangos: the different varieties of this product are delicious and of excellent quality.
- Palm hearts: product with high fiber content and zero cholesterol.
- Peppers and broccoli: various classes and varieties of these products can be found in the country.
- Bamboo: Ecuadorian guadua is known as one of the best bamboos around the world.
- Shrimp: various species are available in Ecuador, and industrial shrimp farming in the country, which dates back to 1968, has become an important part of the sector throughout the world.
- Tuna: as Ecuador is located along the equator, it is influenced by the cold waters of the Humboldt Current and the warm waters of El Niño. The convergence of these two provide an ideal environment for tuna fishing, and the Ecuadorian fleet is recognized around the world. Tuna exports include fresh, frozen, canned or bagged tuna.
- Tilapia: this fish has a delicate flavor and firm texture, and can be prepared in a variety of ways.

- Panama hats: Ecuador has been recognized for a long time due to the quality of these woven Panama hats, which are a classic example of fine craftsmanship, and are useful, comfortable, adaptable and easy to carry.
- Vegetable ivory: Ecuador is currently the only exporter of tagua nut handicrafts, such as carved animal figurines and colorful jewelry (prior to plastic, this product was primarily exported to make buttons).
- Software: exporting of software with applications for banking, administration and finances, as well as general Internet programming, began in 1990.
- Wood and furniture: the furniture and wood industry in Ecuador is known around the world due to the quality products and added value offered, such as boards, plywood and fiberboard.
- Aromatic and medicinal plants: production, processing, commercialization and use of medicinal herbs and aromatics are widespread in Ecuador. Innovative uses and benefits of these products have resulted in increasing demand around the world.
- Exotic fruits: the country sells a variety of non-traditional fruits, such as kiwi, dragon fruit, prickly pear, golden blackberry and naranjilla. Given their exquisite flavor and nutritional properties, these fruits are increasingly in demand.

MAIN IMPORTS

The main imports of Ecuador are:

- Raw materials: petroleum products, high-octane gasoline, diesel, raw materials and intermediary products for agriculture and industries.
- Capital goods and construction materials.
- Goods for consumption: medicine, shoes, perfumes, autos and other assembled vehicles, manufactured plastics, among others.

EDUCATION

Education is governed by the Ministry of Education and is provided through public and private schools. The primary language is Spanish, but there are various bilingual schools. Basic education requires ten years of studies, from kindergarten to ninth grade.

Secondary education (tenth through twelfth grade) has the aim of preparing students for university studies or the workplace. Nationally, more than 250 schools offer one or more of the International Baccalaureate programs. In public schools, these programs are part of the current campaign of the government for academic excellence, which has also included the creation of a regional university and a research center.

In Ecuador there are 72 universities and polytechnic schools, 35 of which are self-financed private institutions, 9 are private universities with some State-funding, and 28 are public and are completely funded by the State. The specialties focus on physical and natural Sciences, engineering and technology, administration and trade, education, health, law, and social and environmental Sciences. There are also options for higher education in the Army, Navy, Air Force and Police Forces, as well as fully accredited public and private technical, technological, pedagogical and artistic options.

HEALTHCARE

The healthcare system in Ecuador has both public and private branches. The former is financed by the State, the employers and the employees, and is provided through the Ecuadorian Social Security Institute. Public clinics and medical centers are also available for the most at-risk members of society. Private medical care is geared toward the most fortunate sector of the population.

COMMUNICATIONS

Personal and commercial communications in Ecuador include a wide range of options, including landlines, cellphones, email and other communications technologies. The main mobile communications service providers are Movistar, Claro and CNT.

More and more people are using smartphones every day, and 82 out of every 100 people in Ecuador are connected to the Internet. The Internet is widely used throughout the country for educational purposes (40%), to obtain information (27%) and to communicate (22%). With regards to social networks, Ecuador only has 11 million users on Facebook.

Cable television is also widely available in the country.

BANKING AND FINANCIAL SERVICES

Banks and other financial institution are regulated by the Superintendencia of Banks and Insurance Companies.

Banks are the most well-known intermediaries of the financial system, as they offer their services directly to the public, when attracting funds and granting loans. The main banks in the country are: Banco Pichincha, Banco de Guayaquil, Banco de la Producción (Produbanco) and Banco Internacional.

The active annual interest rate charged by banks on loans varies between 9% and 15%, depending on the economic activity.

The passive annual interest rate paid by banks on investments can be as high as 10%, depending on the bank and the specific conditions.

There are also public and private organizations that offer financial services, such as savings and loan associations, coops, financial companies, and insurance companies.

The activities of the National Financial Corporation (CFN) of the government include granting lines of credit to new companies at annual interest rates of approximately 7% and with long payment periods.

TRANSPORTATION

The main commercial relations between Ecuador and the rest of the world are handled through maritime transport, as 90% of the exports of the country are shipped from one of the Ecuadorian ports. Ecuador has been characterized by its production and commercialization of agricultural products, and thus the ports specialize in handling this type of cargo.

Means of transport in the country include:

By air: in Ecuador, aerial transportation has increased notably in recent decades. Aerial traffic is heavy, and there are two international airports: Quito and Guayaquil. These are used by individuals and companies, both national and foreign.

Various airlines offer daily domestic services, and their flights primarily connect cities, such as Quito, Guayaquil, Cuenca, Manta, Machala, Loja, Esmeraldas, Latacunga and the Galapagos Islands. The majority of the regions of the Amazon in which oil reservoirs are found have local flights.

By sea: Ecuadorian imports and exports are primarily transported through the two main maritime ports, located in Guayaquil and Manta.

Guayaquil, Manta and the Galapagos Islands also receive international cruises periodically. In the eastern part of the country, small barges transport passengers and lightweight cargo along the various rivers that can be navigated.

By land: the central government has made large investments in roads to foster safe and fast travel by land. Thus, Ecuador has an excellent roadway system that connects cities throughout the country.

The main urban areas also have expansive options for mass transit, and various private transport cooperatives (bus) offer frequent services within the provinces and between provinces.

TERRITORY AND CONSTRUCTION

In Ecuador there is a wide range of housing options, from large family homes to apartment buildings.

In recent years, construction in Ecuador has grown rapidly, primarily in the large cities, such as Quito, Guayaquil, Cuenca and Manta. Among the most convenient sectors, there is a strong tendency toward condominiums, which are safe, and offer gymnasiums, pools, spas and other services.

More than 9,000 foreigners from the United States, Switzerland, Germany, Canada and other countries have settled down in Cuenca.

Attracted to the local climate, architecture, quality of life and low cost of living, the majority of these expats have come to Ecuador to enjoy their years of retirement.

NATIONAL HOLIDAYS

Official national holidays established in Ecuadorian legislation that must be observed are the following:

- New Year's: January 1
- Carnival: Variable (February-March), work hours missed must be made up
- Holy Week: Variable (March-April)
- Labor Day: May 1
- Battle of Pichincha: May 24
- Independence Day: August 10
- Independence of Guayaquil: October 9
- Day of the Dead: November 2
- Independence of Cuenca: November 3
- Christmas: December 25

3. FOREIGN INVESTMENT

The main benefits for foreign investment in Ecuador include the following:

Production Code. - Exemption of payment of income tax for new investments and production investments. - The companies established based on the Production Code in force, as well as new companies established by existing companies with the purpose of making new investments and production investments will be exempt from payment of income taxes for five years, as of the first year in which income is generated that is directly and exclusively attributed to the new investment.

For effects of applying the provisions of this Code, new investments and production investments must be made outside of the urban districts of Quito County and Guayaquil County.

The investments must be geared toward diversification, added value, substitution of imports and promotion of exports for industries and services within the following economic sectors, considered priority for the Estado:

- Production of fresh, frozen and industrialized food
- Forestry and agroforestry chain and processed products
- Metal-mechanic
- Petrochemical
- Pharmaceutical products
- Tourism
- Renewable energy, including bioenergy or biomass energy
- Logistical services for foreign trade
- Applied biotechnology and software
- Strategic sectors for substituting imports and promoting exports, as determined by the President of the Republic.

SEZ (Special Economic Zones). - These specific areas within national territory receive special consideration with the aim of attracting new investments. The tax benefits include the exemption of payment of duties on imports in these zones. Additionally, any investment made in a SEZ is considered a new investment, and as such, is exempt from paying income tax and minimum corporate tax for five years.

Other tax advantages for operating in a SEZ include: zero VAT on certain imports, the right to reimbursement for VAT paid on purchases of raw materials, supplies and services, as well as the exoneration of currency remittance tax (ISD).

Organic Public-Private Alliances and Foreign Investment Incentives Law. - Companies created or structured in Ecuador to carry out projects of the public sector through public-private alliances shall receive the tax treatment that the current law grants to public companies, as well as the additional benefits established through reforms set forth in this law.

These include the exemption of income tax for ten years as of the first fiscal year in which operational earnings are generated, and exemption of the tax on dividends or profit that companies established in Ecuador pay to their partners or beneficiaries, regardless of their domicile, as well as the

exemption of the payment of taxes on money leaving the country, foreign trade rates, reimbursement of VAT, and other benefits.

Imports directly used to perform projects under the framework of public-private associations will receive the same tax benefits or other benefits as public companies.

Money sent abroad will be exempt from ISD for companies created under this option, regardless of the domicile of the recipient of payment:

- For the import of goods to perform a project of the public sector, regardless of the import regime used.
- For the acquisition of services to perform a project of the public sector.
- For payments made by the company to backers of the project of the public sector, including capital, interest and commissions, provided the interest rate agreed upon does not exceed the referential rate for the date when the credit was recorded. This benefit extends to subordinate credits, provided the borrower is not in a situation of thin capital, in accordance with general regulations.
- Payments made by the company to distribute dividends or profit to beneficiaries; notwithstanding the tax domicile (tax domicile) of the recipient.
- Payments made by any individual or company to acquire shares, rights or stock in the established company in order to perform this type of project.

Public Finances Equilibrium Law. - Foreign contractors or consortiums of foreign companies that sign contracts with companies of the public sector or joint ventures in Ecuador, for example, engineering, acquisition and construction contracts for investments in the economic sectors determined to be basic industries will be exempt from income tax provided that the contract amount is greater than 5% of the GDP of Ecuador for the year immediately prior to when the contract was signed.

Income Tax Rate for Companies. - Companies established in Ecuador, branches of foreign companies domiciled in the country, and permanent offices of foreign companies not domiciled in the country that generate taxable income in the country will be subject to a tax rate of twenty five percent (25%) of the tax base, according to the latest tax reforms.

Companies that reinvest their earnings in the country can receive a reduction of 10% of the income tax up to the amount reinvested in production assets, provided this amount is used for new machinery or equipment, irrigation systems, seeds and seedlings, and any other similar input for agriculture, forestry, cattle and flowers, or to purchase assets related to investigation and technology that will improve productivity, generate production diversification and increase employment. The corresponding increases in capital must be made for these purposes, and shall comply with the requirements established in the regulations to this law.

With regards to financial institutions of the private sector, savings and credit associations or coops, and other similar institutions can also obtain this reduction, provided they use the earnings to grant credits to the productive sector, including the small- and medium-size farmers, under the conditions established in these regulations, provided the corresponding capital increase is performed. The increase in capital must be recorded in the respective Commercial Gazette prior to December 31 of the fiscal year following when the reinvested earnings were generated, and with respect to the savings and credit associations or coops, this must take place in accordance with the applicable standards. For the transformation of the productive matrix, the State will provide incentives for production investments by promoting:

- a. Systematic competitiveness of the economy through the provision of public assets, such as education, health, infrastructure and ensuring the provision of the necessary basic services, to strengthen the production sectors of the territories and the human talent of Ecuadorians. The State shall establish the achievement of adequate productivity for all stakeholders of the economy, companies, entrepreneurs and participants of the popular and solidary economy as a national objective, through the strengthening of the institutionalism and efficiency when granting services of the different institutions that are related to the production;
- b. Establishment and application of a regulatory framework that ensures that no economic stakeholder can abuse their market power, which will be established in the law regarding this matter;
- c. Production development of the sectors with strong positive externalities with the aim of increasing the general level of productivity and the capabilities for innovation of the entire economy, by strengthening the institutionalism established in this Code;
- d. Generation of an ecosystem of innovation, entrepreneurship and associativity through the articulation and coordination of public, private, and popular and solidary initiatives for product innovation and the transfer of technology, and the association of research to production activities. Likewise, strengthen public research institutions and investments in improvements to human talent through scholarship programs and financing of higher-level education;
- e. Implementation of a commercial policy to develop services for all production stakeholders throughout the country, particularly, stakeholders of the popular and solidary economy and of the micro-, small- and medium-size businesses, and to warrant food and energy sovereignty, scaled economies and fair trade, as well as strategic insertion around the world;
- f. Detail of the access to financing of all production stakeholders through adequate incentives and regulation of the public, private, and popular and solidary financial system, as well as the impulse and development of public banking, geared toward production development around the country;
- g. Improvements in productivity of the stakeholders of the popular and solidary economy and of the micro-, small- and medium-size businesses to participate in the internal market, and eventually reach scaled economies and levels of production quality that will allow for taking their production offer internationally;
- h. Logistical and infrastructure development that fosters production transformation for which the State will generate conditions to promote the efficiency of maritime, aerial and land transportation, under an integral focus and a multimodal operation;
- i. Sustainable production through the implementation of technologies and clean production practices;
- j. Territorialization of the public production policies, thereby eliminating the territorial imbalance in the development process

RIGHTS OF THE INVESTORS

- a) Freedom of production and commercialization of legal goods and services that are socially desirable and environmentally sustainable, as well as the freedom to set prices, except for those goods and services whose production and commercialization are governed by the law;
- b) Access to administrative procedures and control actions established by the State to avoid any speculative practice or a private monopoly or oligopoly, or abuse of market power and other unfair competition practices;
- c) Freedom to import and export goods and services within the limits established by the legislation in effect and in accordance with the international treaties to which Ecuador is a party;
- d) Free transfer abroad of periodic earnings or profit arising from the registered foreign investment, once complying with the obligation to pay worker profit sharing, the relevant tax obligations and other legal obligations that correspond, in accordance with what is set forth in the legal standards, as corresponds.
- e) Free remittance of resources obtained from total or partial liquidation of companies in which the registered foreign investment was made, or for the sale of stock, shares or rights acquired based on the investment made, once the tax obligations and other liabilities have been met in accordance with the legal standards;
- f) Freedom to acquire, transfer or assign stock, shares or property rights to an investment to third parties, in the country or abroad, in accordance with the formalities set forth in the law;
- g) Free access to the national financial system and the stock market to obtain short-, medium- and long-term financing;
- h) Free access to the publicity, technical assistance, cooperation and technology mechanisms, and similar;
- i) Access to other general benefits and incentives established in this Code, other laws and the applicable legislation.

4. SETTING UP A BUSINESS

TYPES OF BUSINESS

Anonymous Company. - This is a company whose capital, divided into negotiable shares, consists of the contributions of the shareholders who are exclusively responsible for the proportional amount of their shares. It is managed by temporary presidents, who may or may not be shareholders. This company must be referred to as an anonymous company or corporation (C.A. or S.A.) according to their acronyms in Spanish. Two or more people can form this type of company, with a minimum working capital of US\$800 (eight hundred United States Dollars).

Limited Liability Company. - This is a company made up of three or more individuals who only respond to company liability up to the proportional amount of their individual contributions and who do business under the name of a non-descript company. The capital of the company consists of the contributions of the shareholders and cannot be less than US\$400 (four hundred United States Dollars).

Association with multiple partners. - This type of company is formed by two or more people who do business under the name of a company that uses the names of some or all the partners and adds the words "& Co." The capital of a business with a collective name consists of the contributions that each member pays or undertakes to pay. To establish this type of company, it is necessary to pay at least 50% of the subscribed capital. Contributions can be in cash or in kind (for example, through property or other assets).

Association. - This exists with the name of a company and is made up of one or more partners known as silent partners. The association per se has joint and unlimited liability, but the partners' liability is limited to the proportional amount of their individual contributions.

Joint Venture (public / private). - The State, municipalities, provincial councils and institutions and organizations of the public sector can participate in this type of company, jointly with capital of the private sector and the corporate management of the company. These companies can participate, for example, in the development of agricultural and industrial matters deemed a priority for the national economy and to meet the collective needs or to provide new services of the public sector or to improve current services.

Simple association with equal parts. - The capital of this company is divided into registered shares with an equal nominal value per share. At least one tenth of the share capital must be contributed by shareholders with joint and several liabilities, to which non-transferable nominative certificates will be issued for their shares.

Foreign companies- In order for a foreign company or individual to operate and conduct business in Ecuador, said company or individual must comply with the requirements stipulated in the Companies Act:

- Bylaws of the foreign company
- Certificate issued by the Ecuadorian Consulate that accredits the legal standing of the company in its country of origin and the authorization to carry out business in a foreign country
- Confirmation that the bylaws allow for creating branches abroad

5. LABOUR

TYPES OF BUSINESS

Minimum wage: US\$460 per month

Form of payment: weekly, biweekly or monthly

Benefits payable to employees under contract with a company:

Thirteenth salary: This amount corresponds to one twelfth of the remunerations received by an Ecuadorian worker during the period between December 1 of the previous year and November 30 of the current year. It is paid in December of each year.

Fourteenth salary: This is the benefit corresponding to the "new school year" that all workers under contract receive. It is equivalent to one minimum wage payment at the time said payment is made; in August for the highlands and the Amazon regions, and in March for the coastal region and the Galapagos Islands.

Overtime: During regular business hours, from Monday to Friday, an employee can work a maximum of four hours of overtime per day. Said overtime generates an extra 50% per hour until midnight and 100% from 1 a.m. to 6 a.m. Regarding nightshifts, between 7 p.m. and 8 a.m. the next day, the worker has the right to receive the hourly wage plus an additional 25%. If someone works on Saturdays, Sundays or holidays, they have the right to receive the hourly wage plus an additional 100%. Managers and employees in a position of trust of companies do not earn overtime.

Employee vacation days: Employees who have completed one year of work for the same employer are entitled to vacation. If an employee leaves before completing one year of service, the proportional part of vacations not used must be compensated. All employees are entitled to uninterrupted vacations of two weeks (15 days) each year, which includes weekends. Employees who have worked for the same employer for more than five years will be entitled to an additional day of vacation for each additional year. To calculate the payment for unused vacation time, the remuneration received during the year of service must be divided by 24. The basis for calculating the payment must include the salary, overtime, commissions and any other ongoing compensation. Vacation time may be accumulated for up to three years and used during the fourth year. If it is not used, the first year of the three years accumulated will be lost.

Reserve funds: Any employee who renders services to the same employer for more than one year will be entitled to this benefit. If workers leave on their own accord or are dismissed before completing their first year of service, they are not entitled to the reserve fund. However, if they return to the same employer, the previous service time will be once again added for effects of calculating the aforementioned initial year. The amount to be paid for reserve funds is determined based on 8.33% of the monthly salary or wages of the employee, including any remuneration that is deemed to be regular income. The employer must pay this fund monthly and directly to employees or workers, unless the latter requests in writing that these amounts continue to be accrued in their

individual reserve funds through the Ecuadorian Social Security Institute (IESS). The reserve funds will not be subject to the payment of contributions to the IESS or any tax, withholding or deduction of any kind.

Social Security contributions: By law, companies must affiliate all of their hired employees with the Ecuadorian Institute of Social Security (IESS) and must pay the IESS a total monthly contribution of 12.15% of the total income of each employee, not including company benefits. The employee must also contribute 9.45% per month of their total income, excluding company benefits. This contribution corresponds to the worker, but the employer must pay the employer and employee contributions within the first 15 days of the month subsequent to the corresponding period, otherwise, it will be in default.

Indemnity for early dismissal of employees: With respect to early dismissal of an employee who has worked for less than three years, the compensation will be equivalent to the amount of three months' remuneration. Regarding an employee who has worked for more than three years, it will be equivalent to one month of remuneration for each year of service, up to a maximum of 25 months of remuneration. Additionally, the employee will receive compensation for dismissal equal to 25% of the amount of the last compensation for each year of service.

Employee profit sharing. - The Ecuadorian Labor Code establishes that the employer must pay workers 15% of its annual net earnings. From said percentage, 10% will be divided among all the employees of the company, according to the time worked by each, while the remaining 5% will be distributed proportionally in accordance with the number of dependents of employees.

6. TAXES

INCOME TAX LAW

Companies (legal persons) have tax domicile in Ecuador when they have been incorporated within Ecuadorian territory.

Individuals (natural persons) have tax domicile in Ecuador when they have been in the country for 183 days or more during the same fiscal year, whether this time has been consecutive or not. The stay in the country can be equal to or greater than 183 days, consecutive or not, within a period of 12 months during two fiscal years, unless tax domicile in another country or jurisdiction is justified.

The following articles are deemed sources of taxable income in Ecuador:

- Income received by Ecuadorians and foreigners for work, professional, commercial, industrial, agricultural and mining activities, services and other economic activities that are performed in Ecuadorian territory.
- Income received by Ecuadorians and foreigners for activities performed abroad with regards to individuals or national or foreign companies domicile in Ecuador, or offices and organizations of the Ecuadorian public sector.
- Benefits of transfers of real estate or property within the country.
- Earnings obtained by companies domiciled in Ecuador or not, and by natural persons, Ecuadorian or foreign, residents of Ecuador or not, direct or indirect transfer of stock, shares, other rights representing capital and other rights that allow for the exploration, exploitation, concessions or similar arrangements with companies domiciled or permanently established in Ecuador.
- Benefits or royalties of any kind arising from copyrights and industrial property rights, such as patents, brand names, industrial models, trademarks and transfer of technology.
- Benefits and dividends distributed by companies constituted or established in the country.
- Income from exports by natural persons or companies, whether domestic or foreign, domiciled or permanently established in Ecuador, whether the items have been exported directly or through special agents, awardees, branches, affiliates or representatives of any kind.
- Interest and other financial income paid or credited by natural persons, national or foreign, residents of Ecuador, or by domestic or foreign companies domiciled in Ecuador, or by offices or organizations of the public sector.
- Income from lotteries, raffles, games of chance and similar activities promoted in Ecuador.
- Income from inheritance, legacies, donations and the discovery of assets located in Ecuador.
- Any other income received by companies and individuals who are residents of Ecuador, including unjustified increases in net worth.

The following articles are considered exempt from payment of income tax:

- Dividends and profit calculated after the payment of income tax and distributed by domestic or foreign companies domiciled in Ecuador, payable to other domestic or foreign companies not domiciled in tax havens or jurisdictions with lower tax rates, or individuals who are not residents of Ecuador.

This exemption is not applicable if the effective beneficiary, as defined in the terms of this regulation, is an individual who is a resident of Ecuador.

- Interest accrued by individuals due to their savings accounts in the financial system institutions of the country.
- Travel expenses, lodging and food, duly justified through the respective supporting documents, received by officials of the private sector, employees and workers for activities inherent to their positions or functions.
- Thirteenth and fourteenth salaries.
- Amounts earned by workers for indemnity or indemnity for early dismissal.
- Amounts arising from the occasional transfer or sale of real estate. For the purposes of this law, it is considered that the occasional transfer does not correspond to the ordinary business or usual activities of the taxpayer.
- Indemnities earned under insurance, except for those due to loss of earnings.
- Economic compensation to guarantee a fair salary.
- Financial earnings arising from Ecuadorian public debt.

The following regulations are in force for deductions exempt from income tax payments:

- To determine the taxable base subject to income tax, expenses incurred in order to obtain, maintain and improve earnings from Ecuadorian sources that are not exempt will be deducted.
- All costs and expenses must be duly justified through sales receipts that comply with the requirements established in the corresponding regulations. This requirement also applies to interest on loans, insurance premiums, travel and lodging expenses, and personal expenses deducted.
- In order for costs or expenses over US\$5,000 to be deductible, in addition to presenting the sales receipts, a financial system institution must be used to make the payment, through transfer of funds, a credit card, a debit card, or a check.
- Costs or expenses will not be deductible if they are based on false sales receipts, non-existent contracts or transactions with ghost individuals or companies, or allegedly non-existent individuals or companies.
- Salaries, wages and compensations are generally deductible, as well as company benefits; share of employee benefits; legal indemnities, bonuses and other expenses imposed by the Labor Code or in other corporate laws or in collective agreements, including mandatory contributions to Social Security. Contributions on behalf of employees for medical assistance, educational and cultural expenses, and training and professional development will also be deductible.

- Meals provided, paid or reimbursed to employees when their work schedules so require.
- Contributions and reserve funds paid to the IESS, only if they have been paid by the date the income tax return was filed.
- Indemnities related to the work according to the details of a duly legalized liquidation record or the respective judicial file, based on the amount that does not exceed the provisions of the Labor Code or those established in collective bargaining agreements and in other applicable regulations.

Regarding cases in which payments to employees under the heading of labor indemnities exceed the provisions of the Labor Code, the respective withholdings will be made.

- Provisions to cover indemnities for dismissal and retirement funds (less than 10 years non-deductible), which require actuarial calculations.
- Provisions to cover the payment of reserve funds, vacations and the thirteenth and fourteenth salaries of employees or workers, provided that they are within the limits permitted by labor regulations.
- Bonuses, voluntary subsidies and other amounts paid to individual workers provided that the employer has retained the corresponding amount.
- Economic compensation paid to achieve decent wages to which workers are entitled and receive a salary.
- Remunerations in general and company benefits recognized in a given economic year will only be deducted from the amount with respect to which the taxpayer has complied with the legal responsibilities and pays the compulsory contributions of the Social Security by the date when the income tax declaration is made.
- Regarding the deductions corresponding to remunerations and company benefits for which contributions are made to the Ecuadorian Social Security Institute, based on a net increase in employment due to the hiring of direct workers, an additional 100% will be deducted for the first year in which they occur, provided they have been maintained as such for six consecutive months or more within the respective year.
- Deductions corresponding to remunerations and company benefits for which contributions are made to the Ecuadorian Social Security Institute, for payments to disabled people or workers who have a dependent spouse or children with disabilities, will be discounted at an additional rate of 150%.
- Regarding deductions that correspond to remunerations and company benefits for which contributions are made to the Ecuadorian Social Security Institute for payments to elderly people and to immigrants over 40 years of age who have returned to the country, an additional deduction of 150% for a period of two years as of the date when the employment contract is signed.
- The additional deduction will not be applicable with respect to hired workers who have been under contract with the same employer, relatives within a fourth degree of consanguinity or second degree of affinity, or parties related to the employer during the previous three years.
- The travel and lodging expenses necessary to generate income, duly justified in valid receipts, will be deductible, but may not exceed three percent (3%) of the taxable income for the fiscal year.

- Tax deductions and contributions. Deals fees and expenses paid to legally constituted chambers of production and chambers of commerce, trade unions and professional associations when belonging to these is an indispensable requirement to perform the economic activity.
- Financial costs. - The interest paid for loans taken on for the purposes of the lines of business, as well as the disbursements made for obtaining, renewing or liquidating said loans, duly justified with receipts that meet the requirements established in the corresponding regulations. The interest will not be deductible on the amount that exceeds the rates authorized by the Board of Directors of the Central Bank of Ecuador, nor the interest and financial costs of the external credits not registered with the Central Bank of Ecuador.
- In order for the interest paid on external loans granted directly or indirectly by related parties to be deductible, the total amount of these cannot be greater than 300% of the company's net worth. With regards to individuals, the total amount of external credits cannot be greater than 60% of total amount of assets.
- **Leasing-** The leasing expenses will not be deductible when the transaction involves assets that have belonged to the same taxpayer, parties related to them or a spouse, or relative within the fourth degree of consanguinity or second degree of affinity, or when the contractual period is shorter than the estimated duration of the asset, depending on the nature of said asset.
- **Taxes and fees-** The taxes, fees, contributions and mandatory payments to the Social Security system that back the activity generating the respective income, excluding the interest and fines that the taxpayer must pay for delays in payment of said liabilities, will be deductible. The income tax cannot be deducted, nor the tax rates incorporated in the cost of goods and assets, nor the taxes that the taxpayer could transfer and obtain from tax credits, nor the sanctions established by law.
- **Insurance-** The insurance premiums that mature during the fiscal year and that cover the personal risks of employees or assets that are part of the activity generating the taxable income, and that are duly justified with receipts that comply with the requirements established in the corresponding regulation, will be deductible.
- **Losses and theft-** The losses verified due to an act of God, force majeure or crimes that economically affect the property of the respective income generating activity will be deductible based on the amount that has not been covered by compensation or insurance and the property that has not been recorded in the inventories.
- **Indirect expenses assigned from abroad-** Indirect expenses assigned from abroad to companies domiciled in Ecuador by their related parties will be deductible up to a maximum of 5% of the income tax base, plus the amount of said expenses.
- **Depreciation-** Depreciation and amortization, according to the nature and duration of the property, monetary adjustment and accounting techniques, as well as those granted for obsolescence and other cases, will be deductible in accordance with the provisions of the law and its regulations.
- The depreciation and amortization corresponding to the purchase of machinery, equipment and technologies for the implementation of cleaner production will be deducted with an additional 100%, provided that such acquisitions are not necessary to comply with the provisions of environmental authorities. In any case, there must be an authorization from the corresponding authorities.

- When a taxpayer has reassessed assets, the corresponding depreciation will not be deductible.
- Expenses related to the acquisition, use or ownership of vehicles used to carry out the income generating activity will be deductible, i.e. depreciation and amortization, the commercial lease rate, interest paid and property taxes. If the appraised value of a vehicle as of the acquisition date exceeds US\$35,000, according to the Ecuadorian IRS (SRI in Spanish) database, the deductions will not be applied to the additional value unless it is a bulletproof vehicle or it is entitled to a lesser annual tax regarding ownership of the motor vehicle.
- Losses declared after tax reconciliations for the previous fiscal years will also be deductible. The amortization will be made within the following five tax periods after the one in which the loss occurred, provided that said amortization does not exceed 25% of the fiscal gain obtained in the respective fiscal year. The balance not amortized within the indicated period cannot be deducted in subsequent financial years. In the event that the activities finish prior to the end of the five-year period, the total of the losses not amortized will be deductible during the fiscal year in which the activities finish.
- Provision for non-recoverable credits- Provisions for non-recoverable loans that originate from regular commercial operations in each fiscal year will be deductible at an annual rate of 1% on the commercial loans that were granted during said fiscal year and that were pending collection at the end of such year. The accumulated provision cannot exceed 10% of the total portfolio.
- Non-recoverable loans will be definitively voided as part of this provision and the results of the fiscal year, in the amount not covered by the provision. The status of non-recoverable loans will not be given to the loans granted by the company to a shareholder, spouse or relatives of the shareholder within the fourth degree of consanguinity or second degree of affinity, nor to those granted to related companies. Regarding loan recovery, the income obtained under this article must be carried on company books.
- Expenses backed by contracts. - Past due expenses that were pending payment as of closing of the fiscal year and that were clearly identified as part of regular commercial operations and duly supported by contracts, invoices or receipts, or by mandatory application under a legal decision can also be deducted.
- Publicity expenses. - The costs and expenses incurred for the publicity and advertising of goods and services will be deductible up to a maximum of 4% of the total taxable income of the taxpayer. However, this limit will not be applicable in the case of expenses incurred by: microenterprises and small businesses, except when costs and expenses are incurred for the promotion of goods and services produced or imported by third parties.
- No promotion or advertising expenses can be deducted if the taxpayer is engaged in the production and/or commercialization of hyper-processed prepared foods, understood as those modified by the addition of substances, such as salt, sugar, oil, preservatives and/or additives that change the nature of the original foods to prolong their life and make them more attractive. These foods are prepared mainly with industrial ingredients that normally contain little or no natural food value and are the result of a sophisticated technology that includes processes of hydrogenation, hydrolysis, extrusion, molding, remodeling and other.
- Royalties, and technical, administrative and consulting services.- The amount of royalties, and technical, administrative, consulting and similar services paid to related parties by

companies domiciled in Ecuador or by governmental establishments in Ecuador may not exceed 20% of the taxable base on income tax plus the amount of said expenses, provided that these expenses correspond to the activity that generates income in the country. In the event that a tax base for the income tax is not determined, said expenses will not be deductible. Regarding companies in the business preparation cycle, this percentage will be 10% of the total assets, notwithstanding the corresponding withholdings.

- For this purpose, royalties will be considered as the amounts paid for the use or right to use brand names, patents and other items covered by the Copyright and Intellectual Property Law.
- **Management Expenses-** Provided they correspond to actual expenses duly documented as part of the usual business, for example, customer service and meetings with employees and shareholders, these will be deductible up to a maximum amount equivalent to 2% of the general expenses for the fiscal year in question.
- **Payments made abroad-** These are deductible when they are directly related to activities in Ecuador and are intended to obtain taxable income.
- **Certification of independent auditors-** In order to verify costs and expenses abroad, it is necessary to have a payment or credit certification from independent auditors with branches, subsidiaries or representatives in the country.

Deductions for natural persons:

- Individuals can deduct up to 50% of their total taxable income, provided it does not exceed 1.3 times the basic fraction exempt from individual income tax, their personal expenses without VAT and ICE, as well as those of their spouse and underage or disabled children who do not receive taxable income and are dependents of the taxpayer.
- Natural persons who carry out commercial, industrial, commercial, agricultural, livestock, forestry or similar activities, or artisans, agents, representatives and self-employed or independent workers whose economic activity involves costs that can be demonstrated in their income and expense accounts in accordance with the corresponding regulations, as well as the professionals who must also keep track of their income and expenses, can also deduct the costs that allow them to generate income.

Payment of income tax:

- Companies pay a rate of 25% on their taxable base.
- When a company has shareholders, partners, voters, beneficiaries, etc. who are residents or are established in tax havens or jurisdictions with lower tax rates, and who have direct or indirect participation, or when an individual or joint venture is equal to or above 50%, an income tax rate of 25% will be applied.
- When the aforementioned portion of tax havens or jurisdictions with lower tax rates is Less than 50%, the rate of 25% will be applied to the proportion of the taxable base corresponding to that share.
- If a company does not comply with its obligation to report the make-up of the company, a rate of 25% will be applied to the total taxable base.

Advance income tax payments:

To calculate the amount of an advance income tax payment, when taxpayers -applying generally accepted accounting and financial principles and standards- have re-assessed their assets, the reassessed value will NOT be considered in the calculations under the heading of assets or net worth.

Regarding taxpayers who obtain income from the development of real estate projects, during the current fiscal year, the advance payments -exclusively under the assets heading- will not take into account the value of the land in which the housing projects for low-income sectors is being developed, provided these projects are eligible as such in accordance with the housing authorities.

In their income tax returns for the previous fiscal year, companies can determine the advance payment to be made against the current fiscal year as an amount equal to the mathematical sum of the following elements:

- 0.2% of total net equity.
- 0.2% of the total of deductible costs and expenses.
- 0.4% of the total amount of assets, without taking into consideration the accounts receivable, except for the related accounts and tax credits.
- 0.4% of the total taxable income.

Dividends paid in advance:

When a company distributes dividends or other benefits to partners or shareholders in advance, against profits and prior to the end of the economic year, and therefore before the actual results of the company's activity are known, the company must withhold the general income tax rate established for companies, save when the beneficiary is a resident of or established in a tax haven or jurisdiction with lower tax rates, in which case a 25% rate will be applied to the total amount of such payments. This withholding will be presented and paid during the month following the month in which the withholdings were made and within the periods stipulated in this regulation, and will constitute as tax credit for the company when it files its income tax return.

Individual Income Tax:

Regarding individuals who work under labor contracts, this tax is calculated based on the taxable base (income received during the year less deductions for Social Security contributions and deductions in the areas of health, education, food, clothing and housing, according to the limits established annually).

A progressive tax schedule is established to calculate tax, which may reach up to 35%. Special

Consumption Tax:

The special consumption tax (ICE) applies to national or imported goods and services that have been previously defined.

Regarding imports, ICE is paid at the time of the import declaration, prior to dispatching the goods by the corresponding customs office.

Those individuals who are responsible for the ICE and whose tax returns and payments are due for more than three months will be sanctioned with the closing of the establishment of their property, with prior legal notice, and they will be required to pay what they owe within 30 days.

The following items are subject to this tax: cigarettes and other tobacco products, soft drinks, perfumes, firearms, gas stoves and water heaters, light bulbs, motor vehicles, airplanes, helicopters, motorcycles, yachts, boats, alcoholic beverages, paid television services, memberships and club fees.

The tax rates on these items vary between 2% and 300%, according to the article. Currency Remittance Tax:

This tax is applied to the amount of monetary operations and transactions regarding money sent abroad, with or without the intervention of financial system institutions.

Those subject to this tax is individuals and private companies, national or foreign, that send or transfer cash abroad, through checks, transfers, withdrawals or payments of any kind made with or without financial system institutions as intermediaries.

The national financial system institutions must act as withholding agents of this tax regarding transfers made, based on the instructions of their clients.

Exemptions- Only the following transactions are exempt:

- Those made by State offices and organizations, including public companies. • Transfers made abroad up to US\$1000.
- Payments made abroad to amortize capital and interest on external credits for a
- maximum of one year, unless the financial institution is in a tax haven or jurisdiction with lower tax rates.
- Dividend payments distributed by domestic or foreign companies domiciled in Ecuador, to other foreign companies of natural persons that are not residents of Ecuador, upon payment of income tax and provided that said companies or individuals are not domiciled in tax havens or jurisdictions with lower tax rates.
- The tax base for the ISD is the amount of money transferred, credited or deposited, or the amount of the check, transfer, or transfer sent abroad.

The tax rate on capital sent abroad is 5%.

Value Added Tax (VAT):

Value added tax is levied in Ecuador for the transfer of ownership of property at all stages of its commercialization by individuals and companies, whether there is a charge for the property or not. This tax also applies to importing tangible goods and rendering services in Ecuador by individuals or companies.

The percentage rate for VAT returned to normal after the end of one calendar year of the solidarity law, which increased VAT to 15% through April of this year.

CUSTOMS LEGISLATION MAIN GUIDELINES

Scope- This law governs the legal relations between the State and the people who operate in the international movement of goods within the customs territory; goods being understood as tangible assets of any kind.

Customs Territory- Customs territory is the national territory where legal provisions are applied; it comprises primary and secondary zones. The customs borders coincide with national borders.

Customs Zones- The primary zone is the part of customs territory where the space for customs procedures is assigned; secondary areas are the rest of the customs territory. Customs- Customs is a public service mainly responsible for the surveillance and control of the entry and exit of people, goods and means of transport across borders and customs areas; the determination and collection of tax obligations caused by such events; the handling of claims, resources, requests and consultations of the interested parties; and, the prevention, prosecution and sanction of customs offenses. Customs services include storage, verification, evaluation, appraisal, settlement, collection of taxes and monitoring and control of goods entering special customs regimes.

Customs Authority- Customs' authority is the set of rights and attributes that the laws and regulations grant exclusively to customs offices to fulfill their purposes. Customs services are administered by the Ecuadorian Customs Corporation (CAE), either directly or through a concession.

Customs Attributes- Customs has the following attributes:

- Take merchandise that has not been declared or included in the waybill as abandoned objects near the borders.
- Inspect all means of transportation that come or go from abroad.
- Apprehend individuals and the means of transportation that traffic drugs and hallucinogens, and turn them over to them to the competent authorities.
- Send people crossing the border to personal inspections whenever there is a presumption of a customs offense.
- Take objects or publications that are a threat to the security of the State, public health or morality, in accordance with the respective laws and regulations.
- Receive declarations and information, and carry out the necessary investigations for the discovery, prosecution and sanction of customs infractions.
- Capture the alleged perpetrators of flagrant crimes, in accordance with the Tax Code.
- Engage in coercive actions directly or by delegation.
- The other powers stipulated in the law and its regulations.

Taxes on international trade- The following taxes must be paid:

- Duties and fees for each item, as established in the respective schedules.
- Taxes established through special laws.
- Fees for customs services.

Through resolutions, the Ecuadorian Customs Corporation can create or eliminate tariffs for customs services, establish encumbrances and regulate the collection of duties.

FISCAL LIABILITIES

Customs Duty Expenses - Customs tax obligations are the legal link between the State and persons who operate the international movement of goods, under which they are subject to customs jurisdictions, the payment of the respective taxes when a taxable event is verified, and compliance with other formal responsibilities.

Customs Duty Taxpayers - There are active subjects and passive subjects. The first is the State, through the Ecuadorian Customs Corporation. The latter is the party that must pay the respective tax, as a taxpayer or the responsible person.

Regarding imports, the taxpayer is the owner or the recipient of the merchandise; and with respect to exports, it is the recipient.

Taxable Base for Customs Duties- The taxable event of the customs tax debt is the arrival or departure of the goods; for the payment of taxes of foreign trade, it is the presentation of the declaration; for duties, it is the provision of customs services.

Origen of Customs Duty Liability- With respect to taxes, the customs tariff liability arises at the time the customs declaration is accepted; the tariffs are based on the use of the respective customs service.

Taxable base- The taxable base of customs duties on imports is the CIF, and on exports the FOB. It is determined according to the customs schedules established for different types of goods.

Through resolutions, the Ecuadorian Customs Corporation will issue the current schedules for different types of merchandise, based on the agreement of Ecuador to adhere to the World Trade Organization.

Applicable Taxes- The foreign trade taxes applicable to the fulfillment of the customs liabilities are those in force as of the date of presentation of the declaration.

7. ACCOUNTING AND REPORTING

ACCOUNTING STANDARDS

Ecuador adopted the International Financial Reporting Standards (IFRS) and made application mandatory as of January 2012.

The IFRS have been issued by the International Accounting Standards Board (IASB) in Spanish, and those in effect as of the end of each fiscal year must be used.

It is worth noting that financial institutions are monitored and controlled by the superintendence of Banks, while cooperatives are governed by the Superintendence for the Popular and Solidarity Economy. These entities have special rules issued by their control bodies: however, they share a set of principles established in the IFRS.

CURRENCY

The figures included in the financial statements, as well as in the accompanying notes, use the official currency of the Republic of Ecuador, which is the US Dollar.

FISCAL PERIOD

The organizations controlled by the superintendence of Companies must use December 31 of each year as the deadline for the preparation and presentation of financial statements.

Said financial statements will be published once a year, before April 30, following the closing date for the financial statements.

Annual financial statements must include:

- Statement of financial position
- Profit and loss report
- Statement of changes in equity
- Cash flow statement
- Explanatory notes to the financial statements

Additionally, if applicable, the opinion of the independent auditors on the reasonableness of the figures and disclosures made in the financial statements should be included if the assets total one million dollars or more.

8. UHY REPRESENTATION IN ECUADOR



UHY ASSURANCE & SERVICES CIA. LTDA. ECUADOR



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Position: Managing Partner
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Liaison contact: Juan Cevallos
Email: jj.cevallos@uhyecuador.ec

SOCIAL MEDIA CONNECTIONS

- Blog: <https://www.uhyecuador.ec/es/blog/>
- Facebook: <https://www.facebook.com/UHYAssuranceEC/>
- LinkedIn: <https://www.linkedin.com/company/15146246/admin/>
- Twitter: <https://twitter.com/UHYASSURANCE>
- YouTube: https://www.youtube.com/channel/UCLyIVTWUZfVxWNYk1EhCLtg?view_as=subscriber

Year established: 2004
Number of partners: 2
Total staff: 95

ABOUT US

"We're your best decision"

BRIEF DESCRIPTION OF FIRM

UHY Assurance & Services Cía. Ltda. is an organization with highly competitive professionals.

Our professionals are specialized in providing services related to the areas of auditing, financial consulting, international accounting standards, transfer pricing, evaluation and prevention of asset laundering and services in technical training.

We have highly qualified first class professionals, who provide a wide variety of services advising both public and private companies.

Our experience is the product of a careful supervision in the use of computer technology and innovations in auditing, taxes, management and tax consultancy in order to provide a service where quality is the main feature.

In order to minimize the risk of any factor that could affect our reputation, we have implemented policies and principles which are essential in professional practice and which are practiced by all of the professionals within our firm.

SERVICE AREAS

EXTERNAL AUDITING
TAX ADVICE
TRANSFER PRICING
ACCOUNTING OUTSOURCING
CONSULTING



The network
for doing
business



SPECIALIST SERVICE AREAS

CONSULTING

- Financial planning and management
- Process assessment and improvement
- Prevention of money laundering (Preparation of manuals and verification of monthly compliance).
- Company appraisals

PRINCIPAL OPERATING SECTORS

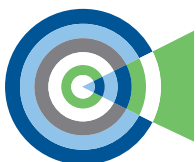
AUTOMOTIVE
PETROLEUM AND MINING
COMMERCIAL
MANUFACTURING
AIRLINES AND AIRPORTS
FINANCIAL
ENVIRONMENTAL
CONSTRUCTION & REAL-ESTATE
AGRICULTURE
FOOD-PROCESSING
ENERGY
MEANS OF TELECOMMUNICATION
FISHING
CHEMICAL & PHARMACEUTICAL
INSURANCE
OIL
SOFTWARE INDUSTRIES
NON PROFIT ORGANIZATIONS
MEDIA AND COMMUNICATIONS
PUBLIC ENTERPRISES
HEALTH AND INSURANCE
VARIOUS SERVICES

LANGUAGES

Spanish (Native)
English

CURRENT PRINCIPAL CLIENTS

GRUPO AUTOMOTORES CONTINENTAL
CORPORACIÓN MARESA
SIGMAPLAST
PUNTONET
TEXTIMODA (MNG MANGO)
LETRASIGMA
ECUADORIANTOURS S.A.
PESEDEL S.A.
AHCORP ECUADOR CIA. LTDA.
AMBACAR CIA. LTDA.
ASISTANET S.A.
ALIMENTOS ESPECIALES PROCESADOS C.A. ALEPROCA





AUTEC S.A.
BANCO CAPITAL ECUADOR
EMPAQPLAST S.A.
COMWARE S.A.
CREDIT UNIONS
CORPIDE CORPORACION PUBLICITARIA INTEGRAL DELTA C LTDA
MARBELIZE S.A.
ENCHAPES DECORATIVOS SA ENDESA
ENKADOR SA
GANOITOUCH S.A.
GOL TV LATINAMERICA SOCIEDAD ANONIMA
EMPRESA PASTEURIZADORA QUITO SA
ORIFLAME DEL ECUADOR S.A.
PHARMABRAND S.A.
H.O.V. HOTELERA QUITO SA
TOACHIEC EXPLORACIONES MINERAS S.A.
UMCO S.A.
HUGONOTTE S.A.
HANASKA
SEDEMI
SWISSÔTEL QUITO
FM MUNDO
ADRIANA HOYOS
TOTTO
CAROLINA HERRERA

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

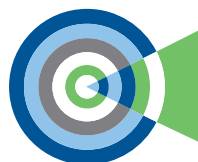
Colombia
Perú
Chile
Argentina
Uruguay
Guatemala
Honduras

BRIEF HISTORY OF FIRM

Our firm is made up of a group of approximately 100 professionals. We are established following a structure similar to that of the international firms (BIG FOUR) as our main 4 partners have formal education in Business Management and similar careers, as well as Master Degrees obtained mainly through international universities. Our professionals have obtained their experience from international firms due to the positions held in these companies which range from Managers and/or Directors.

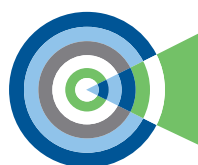
We have developed expertise in many areas such as auditing, taxes, prevention of laundering of assets, and studies in transfer prices. Through our expertise we have covered the professional needs of our clients in the same manner as they would be in the previously mentioned international firms.

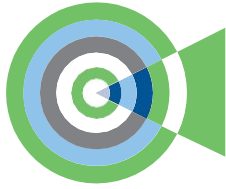
Our firm began operations in August 2004. We have operated in the market for 19 years as a national firm with





professionals that have carried out their duties with considerable success. We are currently members of UHY INTERNATIONAL.





LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

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