



## EXECUTIVE SUMMARY

AIR ECUADOR is a start-up airline that in the short period of time will initiate international operations offering transportation services for passengers, cargo, and mail, after the completion of the certification and structuring processes in Ecuador, as well as in the United States of America and Spain, which up to date, have been successfully conducted.

The operation of the new Ecuadorian Airline will be implemented primarily from Quito and Guayaquil to New York and Madrid, and then be extended to other international destinations within North, Central and South America, as well as to the Asian Continent.

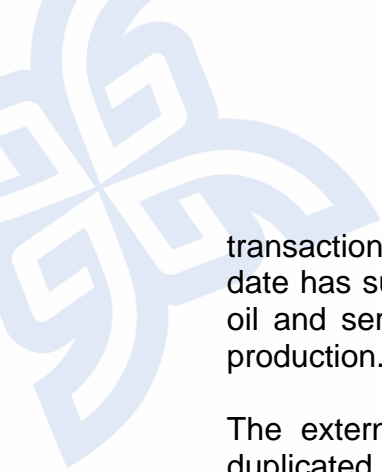
AIR ECUADOR has processed and obtained the following licenses/permits needed for the implementation of its air operations:

- Operating Concession emitted by the National Council of Civil Aviation of Ecuador (CNAC) to operate the following routes and frequencies:
  - Quito and/or Guayaquil – New York (5 weekly frequencies)
  - Quito and/or Guayaquil – Madrid (7 weekly frequencies)
- Operation Authorization emitted by the General Direction of Civil Aviation (DGAC).
- Designation from the Ministry of Foreign Relations of Ecuador (MRE) before the governments of the United States and Spain.
- Assignment of the International Civil Aviation Organization (ICAO) codes:
  - Three Letter Code: **CCU**
  - Radius Telephone Designator: **AIRECU**
- Assignment of the International Air Transportation Association (IATA) codes:
  - Designator Code: **N5**
  - Accounting Code: **697**

Currently, AIR ECUADOR is processing the corresponding permits before the authorities of the United States and Spain. A period of 180 days has been estimated for completing all the processes and implement air operations.

### ECONOMIC ENVIRONMENT.-

The Ecuadorian economy has radically changed since the year 2000, when the dollar became the national currency, facilitating international commercial



transactions. Since then, GDP growth has maintained a positive rate, and up to date has surpassed USD 45,000 million. The economy is highly influenced by the oil and services sectors, which jointly represents over 50% of the total national production.

The external sector of the economy has also grown significantly, and it has duplicated in size since 2000, mainly as a result of greater petroleum exports, both in volume and price, but also due to larger levels of exports of traditional and nontraditional products, promoting the development of air transportation of passengers and cargo, due to the constant generation of business.

For the aviation industry the export growth of flowers and seafood, among other perishable products, has been particularly important, since they require to be transported by air.

The new economic model implemented in Ecuador caused a big effect in the economy of the population during the first years which generated a massive emigration of Ecuadorians to other countries, especially towards Spain and the United States. In fact, statistics shows that since 2000, more than 1.5 million Ecuadorians have migrated to other countries. By now it is estimated that more than 3.2 million Ecuadorians are leaving overseas, constituting a high potential market for AIR ECUADOR.

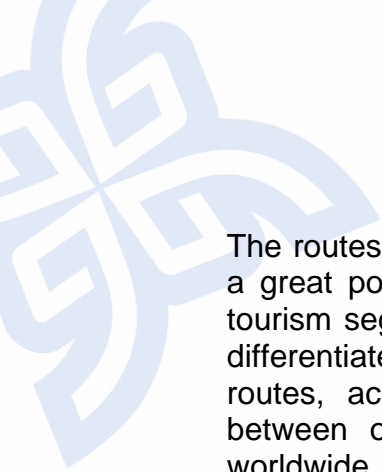
Money remittances from emigrants have had an extraordinary growth, reaching in 2007 the record amount of USD 3,088 million that has allowed the country to have a global positive net cash flow, which is the key element for preserving the economic model based on American dollars as the Ecuadorian national currency.

## **COMMERCIAL AIR INDUSTRY ENVIRONMENT.-**

Worldwide the aviation industry has undergone to a stable recovery since 9-11, due to a sustained growth rate of the world's economy, especially of the Asian countries. Passenger and cargo forecast for the upcoming years are quite encouraging, due to the consolidation of the globalization process around the world, and to the greater importance of Latin America in the world's economy.

Ecuador's aviation industry has maintained important growth rates in the transportation of passengers and cargo, due to the migratory phenomenon, greater levels of tourism, and export growth, operating to external markets with very high load factors, which represents a great opportunity for AIR ECUADOR to enter into the market with positive economic outcomes, moreover once implemented the differentiation strategies, established on AIR ECUADOR business model.

Currently, the aviation industry in Ecuador is dominated by international airlines, standing out the participation of American Airlines, Continental, Iberia, KLM, Avianca, Copa, and TACA, in passenger transportation, and the Chilean group LAN, in combined transportation of passengers and cargo.



The routes that AIR ECUADOR will initially operate (New York and Madrid), have a great potential due to the high demand of passengers of the ethnic and the tourism segments, as well as the transportation of air cargo. AIR ECUADOR will differentiate itself by offering direct flights and quality in its services. These two routes, according to the statistics reflects a considerably important relation between offered and occupied seats, compared to the industry's standards worldwide.

To ensure its operative and financial success, AIR ECUADOR has developed several business processes in detail, including a Business Plan, Economic Feasibility Studies, Strategic Planning, Operational Manuals, Processes Manuals, Customer Service Manuals, as well as strategic projects in all areas, which shows the viability of the project through out the time.

On the other hand, AIR ECUADOR'S senior management has incorporated high standard professionals with experience in the air industry, in order to structure pre-operative processes and to implement flight operations for the new Ecuadorian airline.

The following success factors have been defined as fundamental:

- Fuel price subsidize for Ecuadorian Airlines.
- Ecuadorian airline operating on ethnic markets.
- Quality in service.
- Competent managerial team with knowledge and experience.
- Modern and safe fleet.
- Flight crews with high experience, both nationally and internationally.
- Organizational systems focused on the client and based on processes.
- Focus on human talent.
- Social and environmental responsibility

In the near future AIR ECUADOR will cease from being an ambitious project, which up to date have had a very positively end result and become a running, successful, efficient, and profitable airline.