REPÚBLICA ORIENTAL DEL URUGUAY

MINISTRY OF ECONOMY AND FINANCE

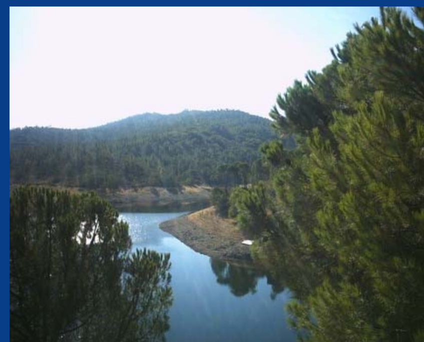
DEBT MANAGEMENT UNIT

October, 2013

Uruguay at Glance

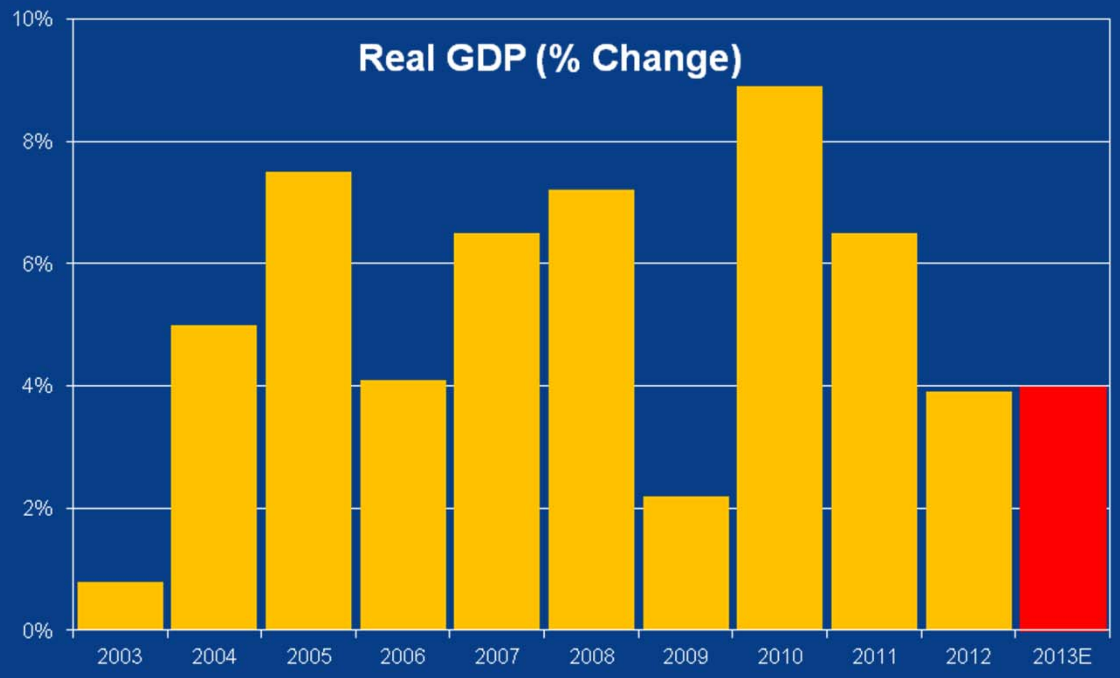
- **Population ’12** — **3.3Million**
- **Total surface area** — **176,215 km^2**
- **Human Development Index** — **51st over 186th**
- **GDP 2012** — **US$ 50Billion**
- **GDP p/capita 2012** — **US$ 15,200**
  (Upper Income Economy / WB)

- **Real Growth Rate ’12** — **3.9%**
- **Real Growth Rate ’05 - 12** — **5.9%**
- **Unemployment Rate** — **6.3%**
- **Rating** — **Baa3 / BBB-/ BBB-**



ECONOMIC PERFORMANCE

The growth of the economy has been remarkable…



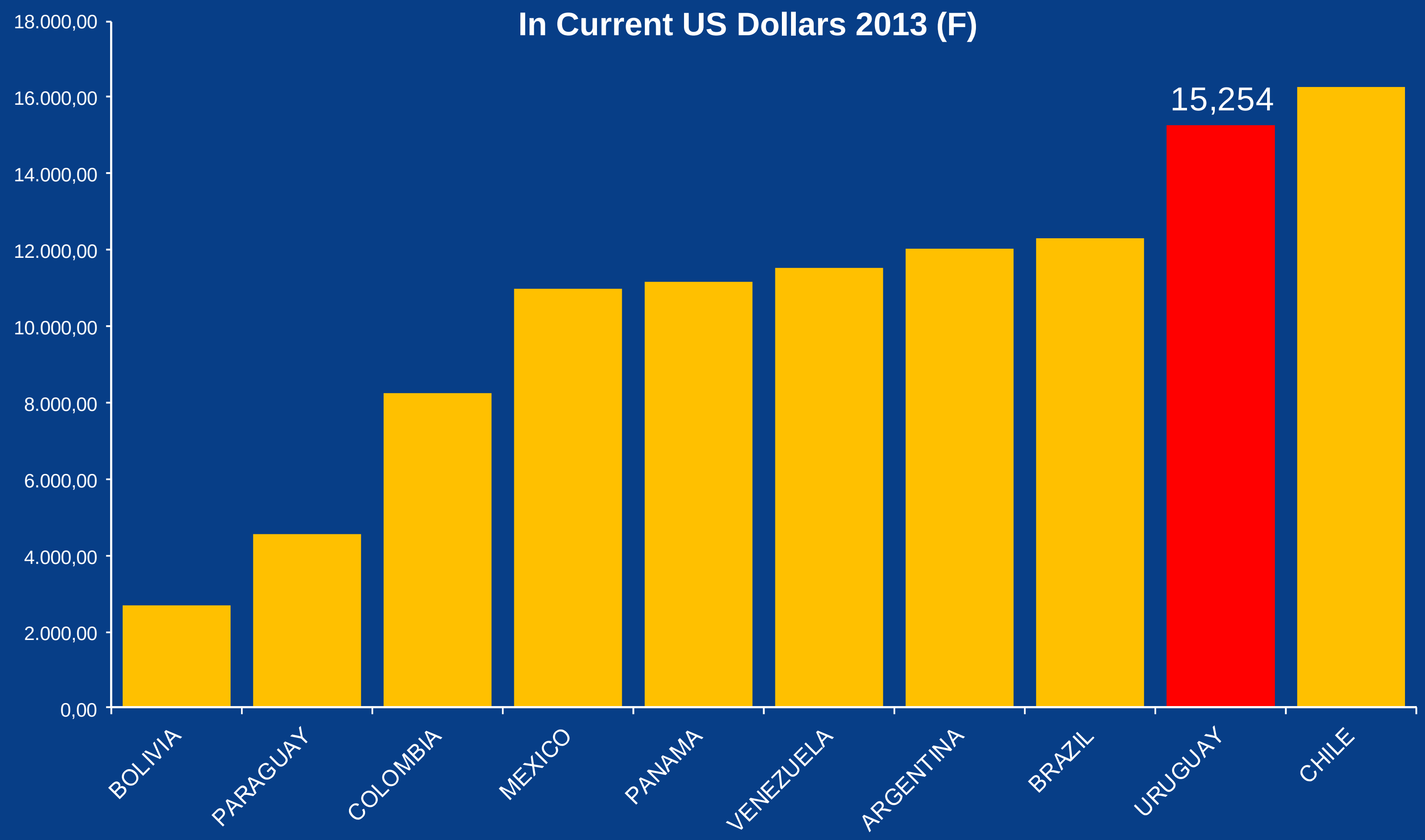
- Government estimates a real GDP growth of 4% for 2013.
- IMF foresees a real GDP growth of 3.5% for 2013.

… along with strong productivity gains in last years

	GDP	CAPITAL	LABOR		TOTAL FACTOR PRODUCTIVITY
			Quantity	Quality	
1990-1999	**3.3%**	**0.7%**	**0.9%**	**0.3%**	**1.4%**
2000-2004	**-1.6%**	**0.2%**	**-0.1%**	**0.2%**	**-1.9%**
2005-2012	**5.9%**	**0.9%**	**1.8%**	**0.3%**	**2.8%**

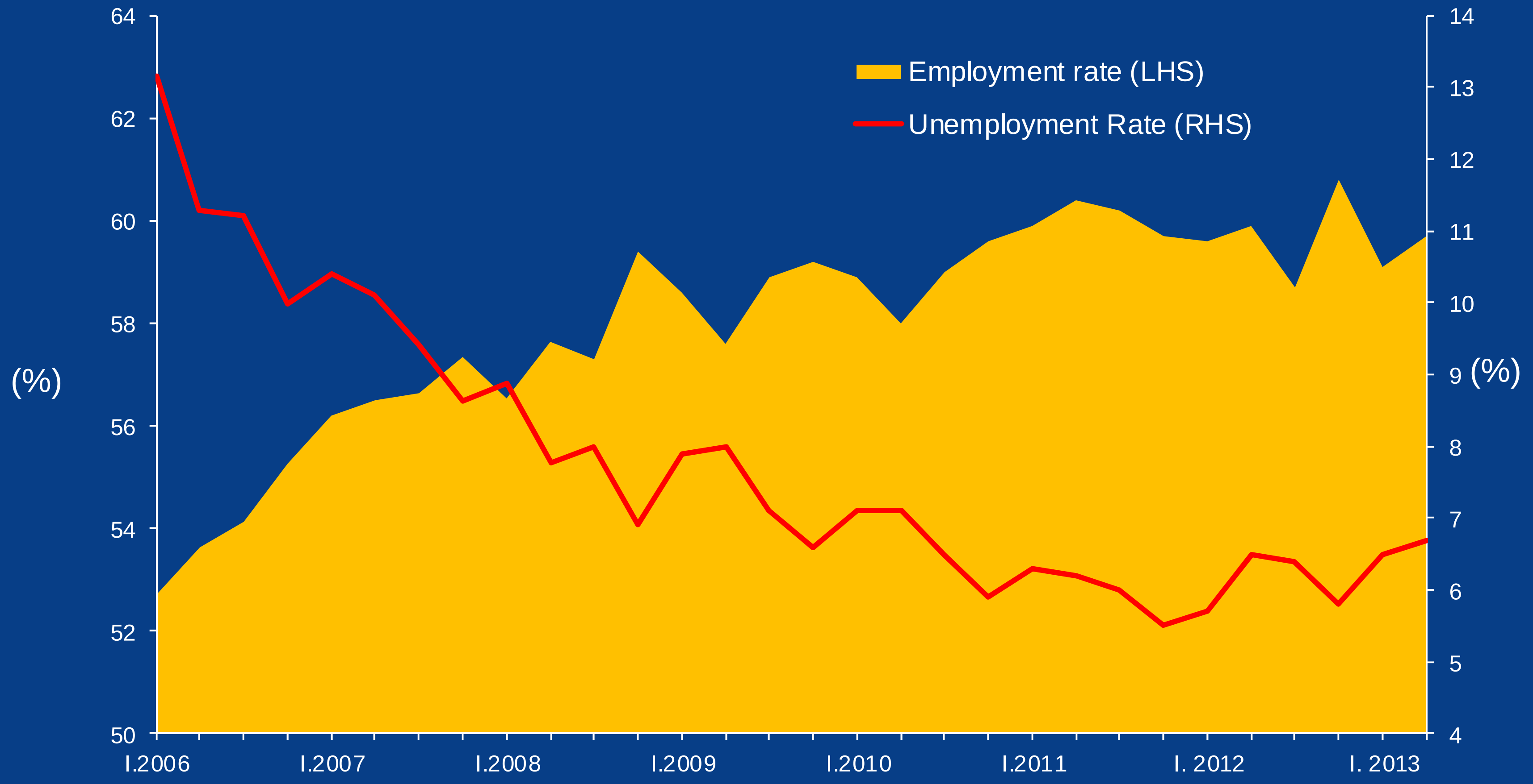
Source: Ministry of Economy and Finance. Estimations based on Central Bank of Uruguay & National Statistics Institute.

One of the highest GDP per capita in LATAM



Source: IMF - World Economic Outlook April 2013

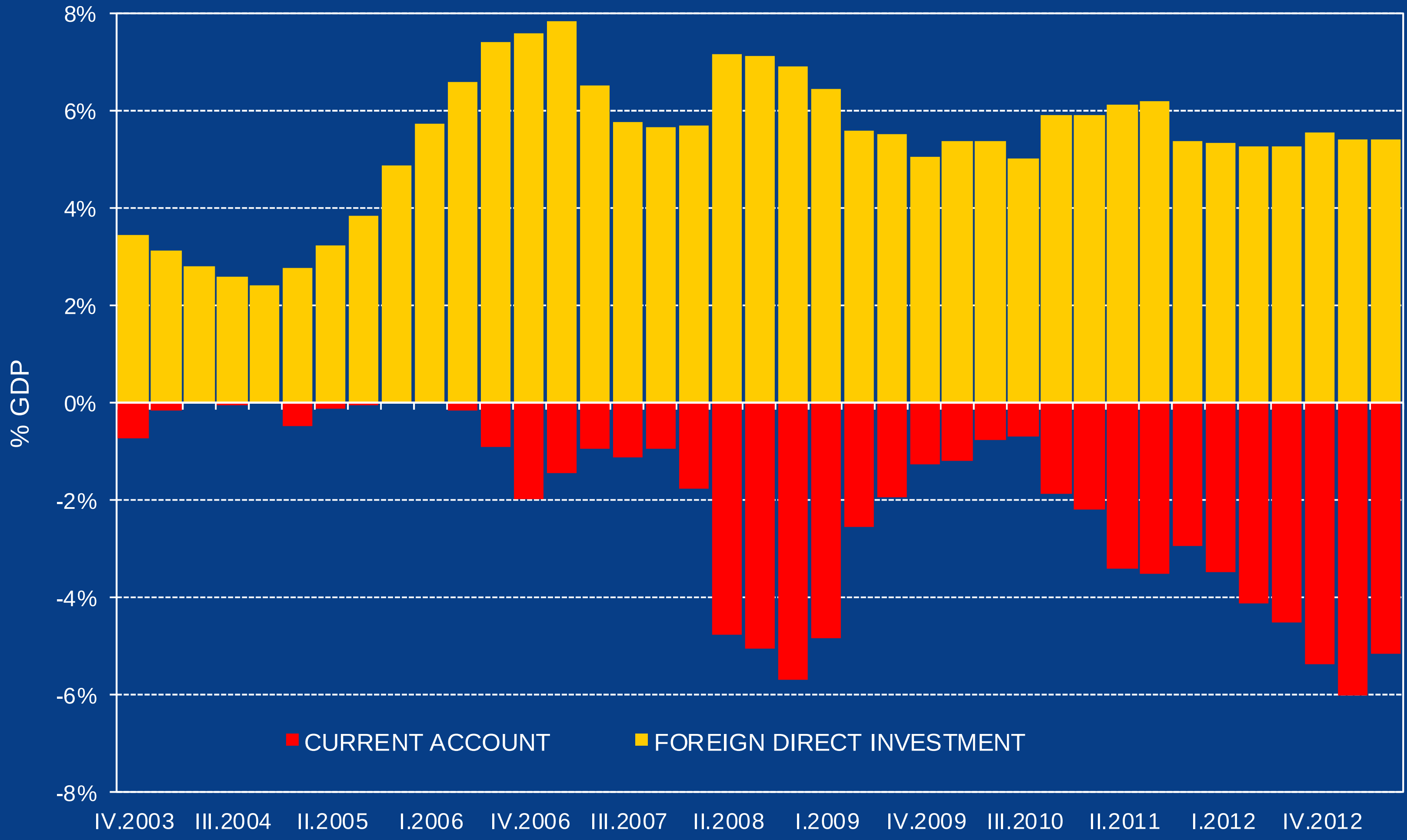
Unemployment rate remains at record lows



Source: National Bureau of Statistics

EXTERNAL SECTOR

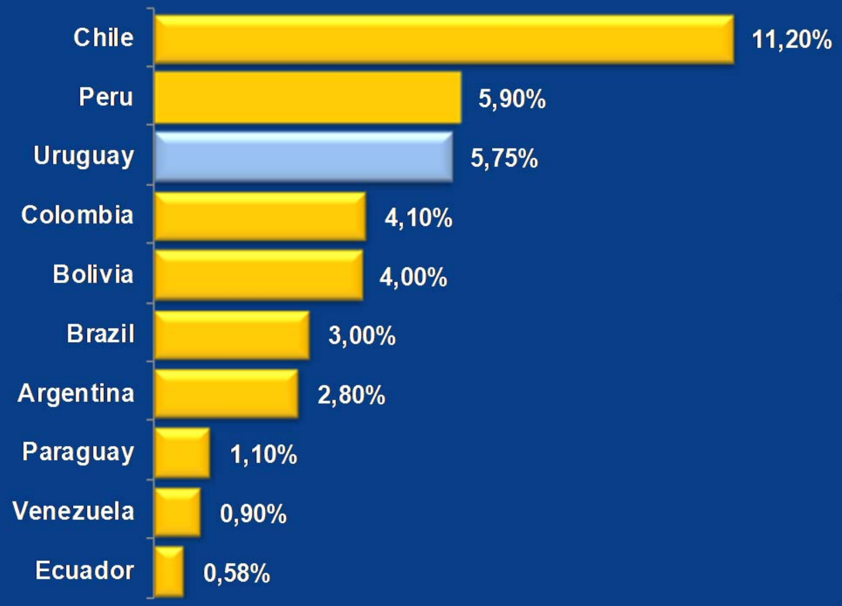
FDI has comfortably covered the current account deficit



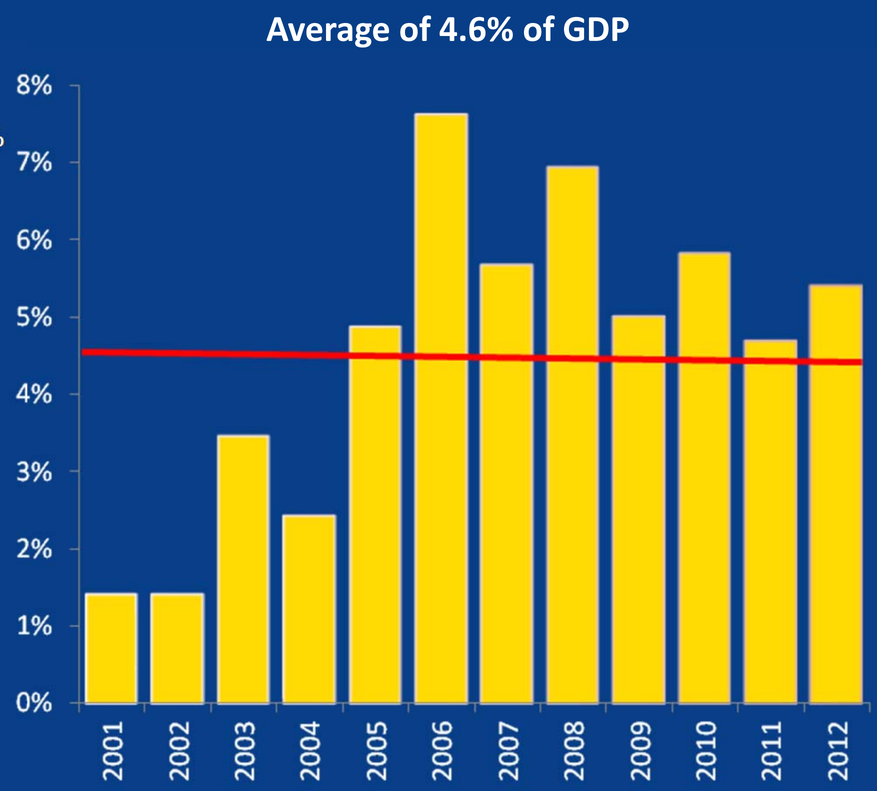
Source: Central Bank of Uruguay

Significant FDI inflows

FDI in South America – 2012 (% of GDP)

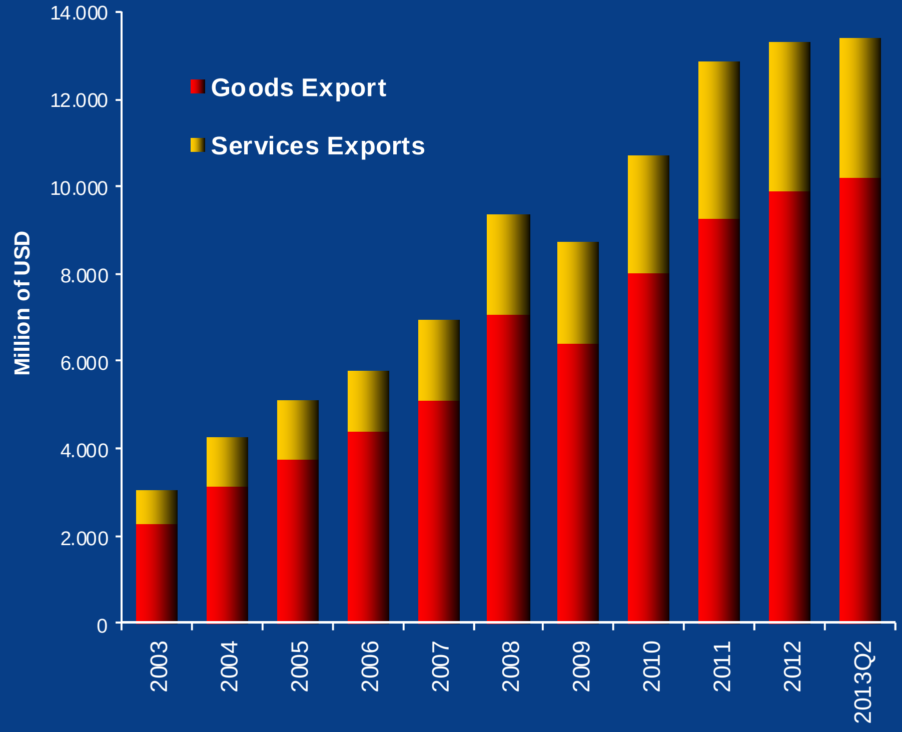


FDI Inflows to Uruguay 2001-2012

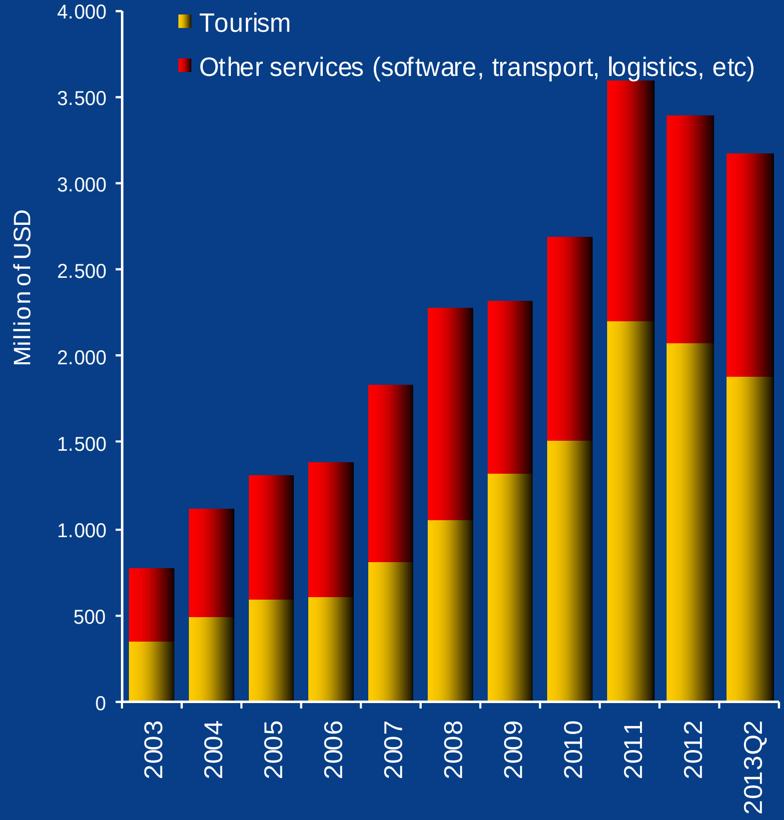


Source: ECLAC, FDI in LATAM and the Caribbean, 2012 Report

Significant Total Exports Growth…

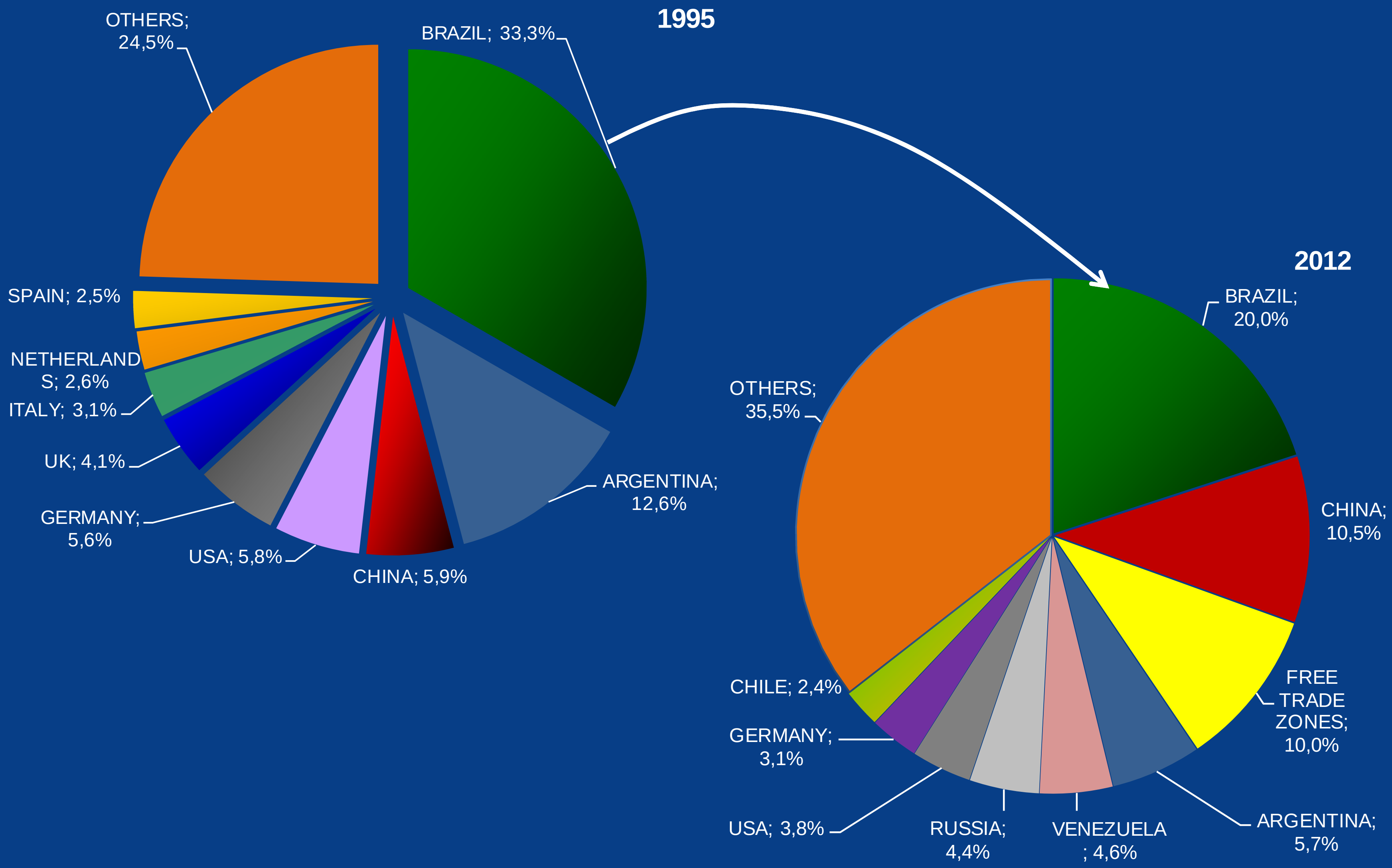


… and diversified Service Exports



Source: Central Bank of Uruguay

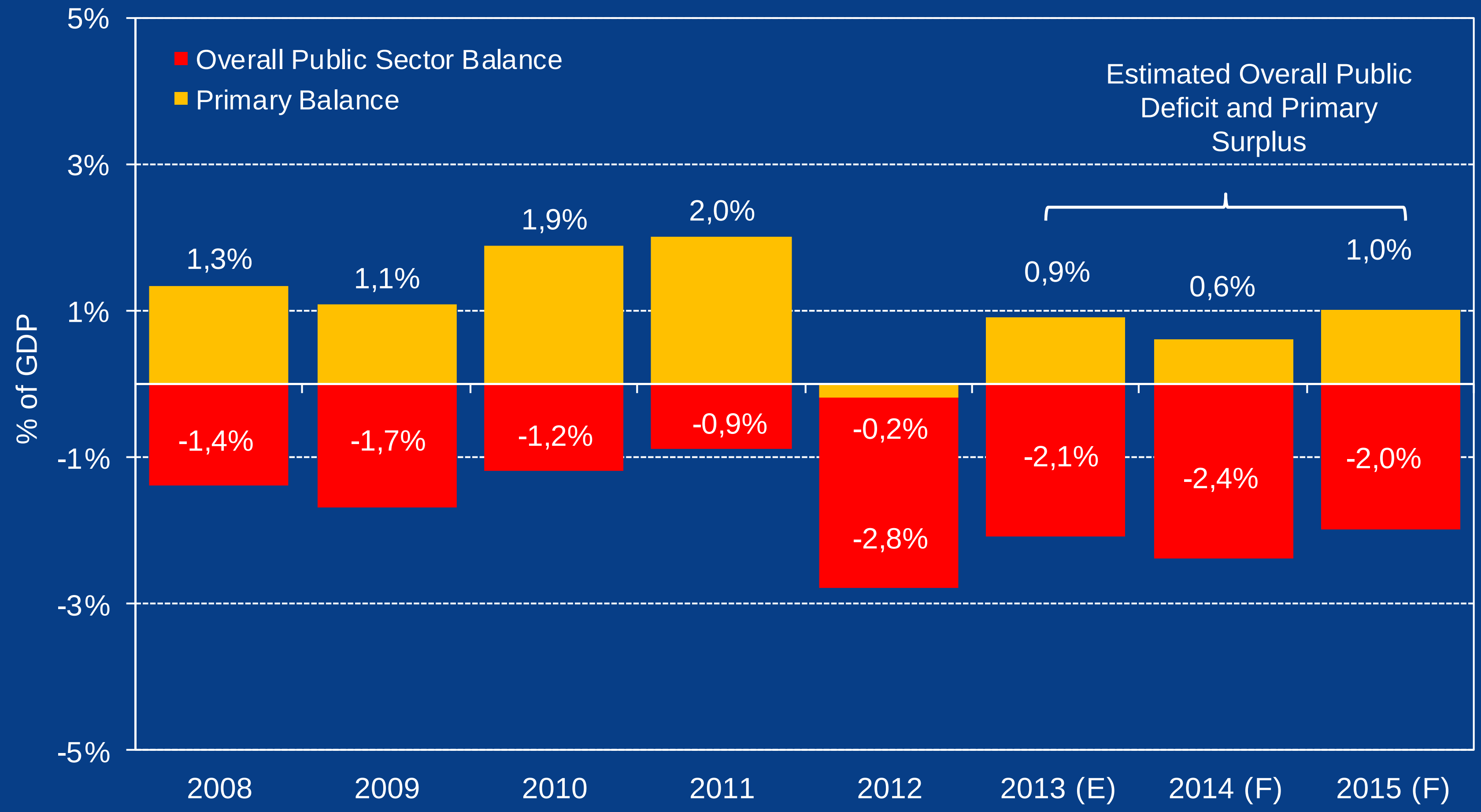
Significant diversification of export markets



Source: Central Bank of Uruguay

FISCAL & MONETARY SECTOR

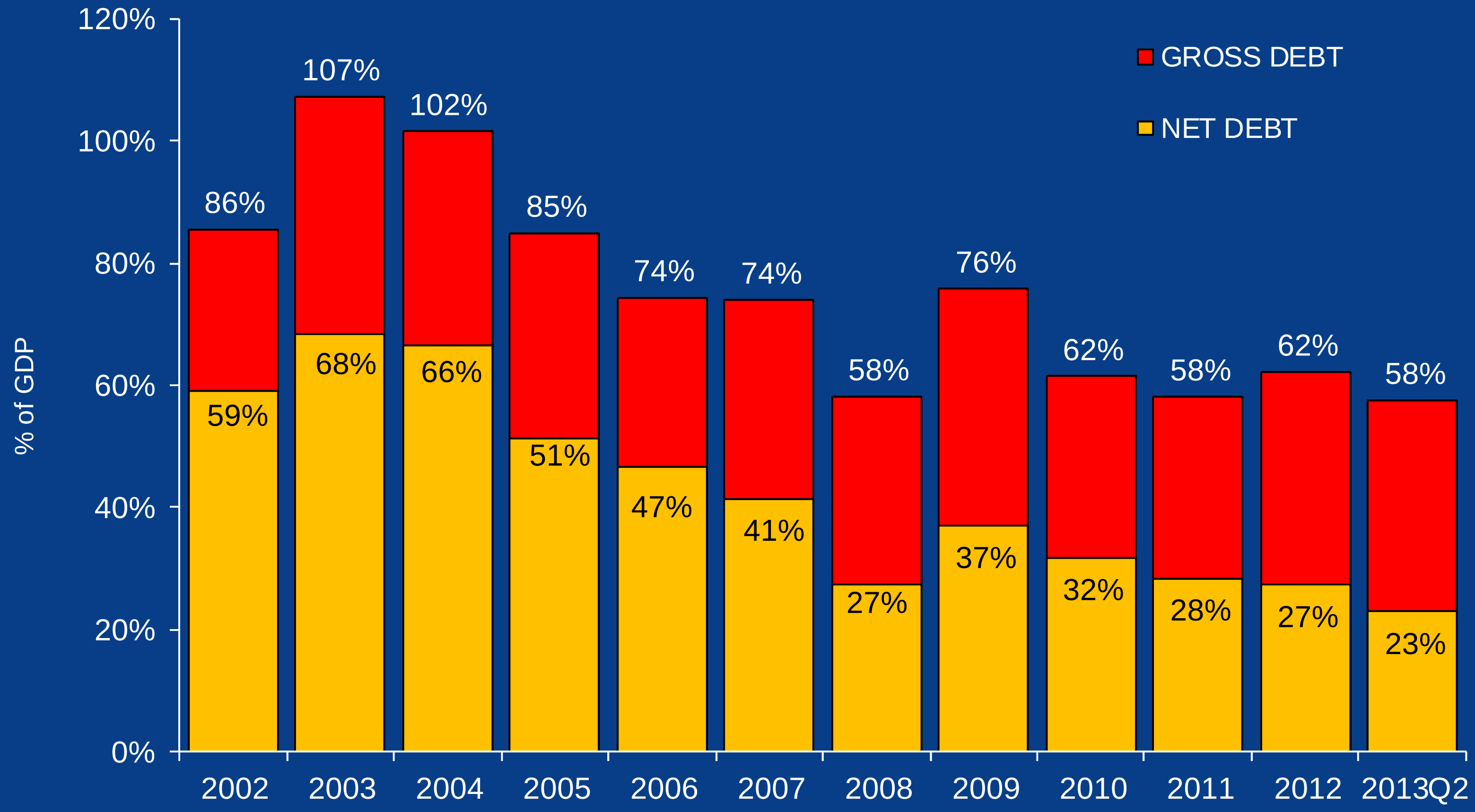
Responsible fiscal policy has helped to consolidate the macroeconomic stability…



Source: Ministry of Economy and Finance

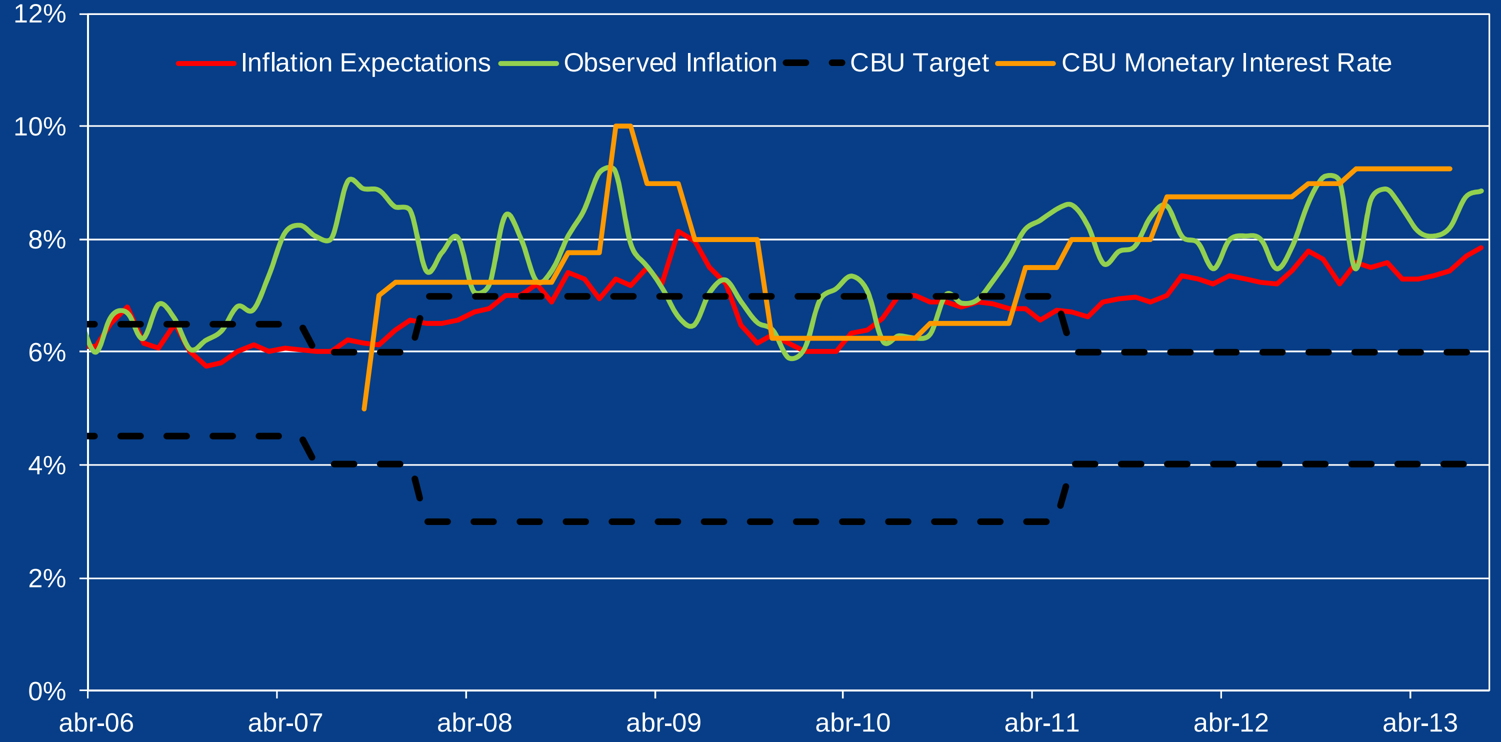
… and reducing global public sector debt

A responsible fiscal policy has allowed a significant reduction of Debt to GDP ratios



Source: Central Bank of Uruguay

Inflation is the main challenge



Source: Central Bank of Uruguay and National Bureau of Statistics

- The latest Macroeconomic Coordination Committee held in June endorsed the need to maintain exchange rate flexibility and inflation targeting regime, widening the inflation target range to between 3.0% and 7.0% starting in July 2014, from the current 4.0% to 6.0%.
- Use of benchmark interest rate as reference for monetary policy was replaced by the evolution of monetary aggregates.
- A target of 12.5% to 13.0% annual growth for money supply (measured as M1) for the third quarter of this year was set, and the Central Bank will gradually lower this target rate until reaching 8% by the second quarter of 2015.

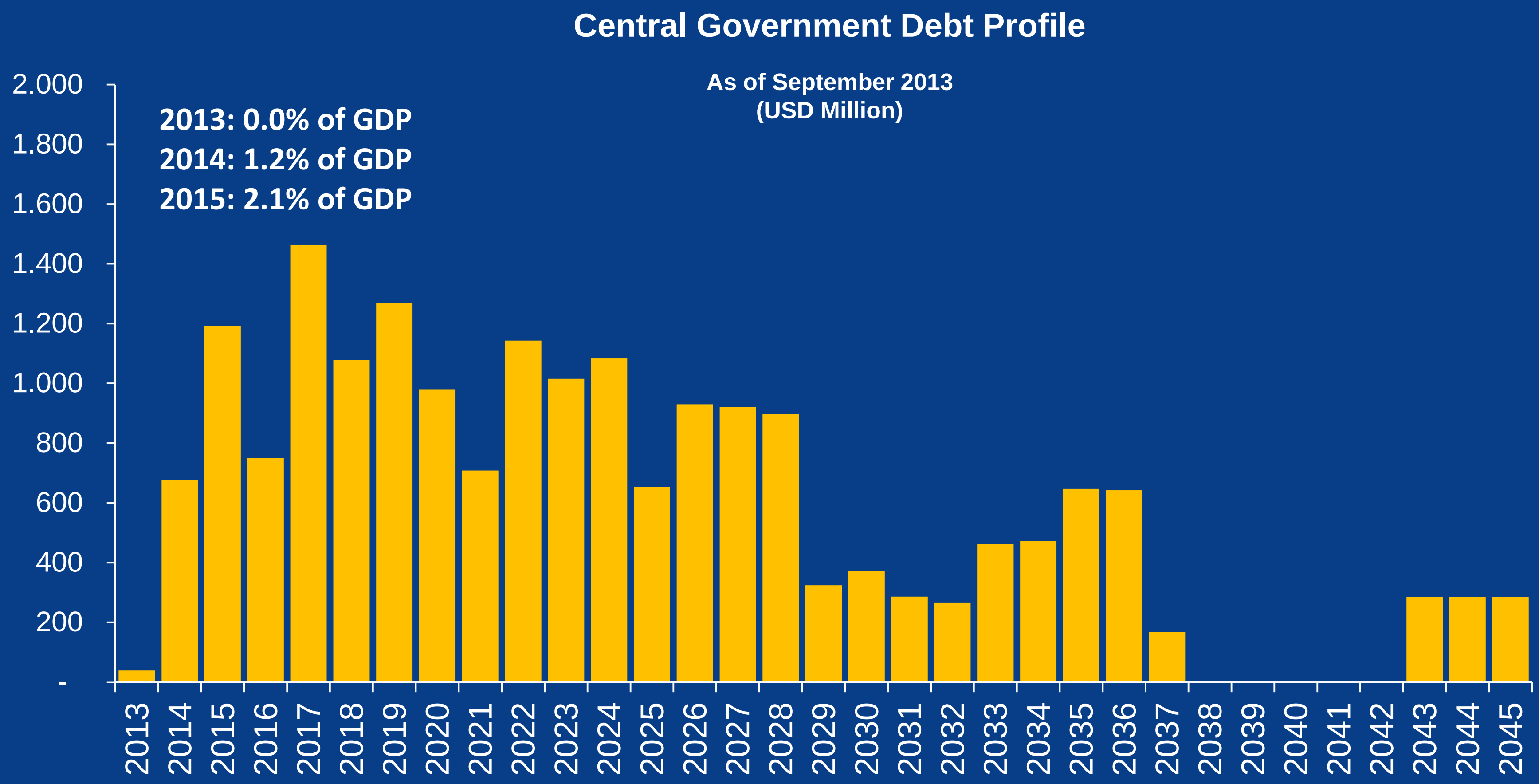
DEBT MANAGEMENT

Guidelines for Debt Management

Main guidelines according to the Financial Strategy for 2010-2014 are:

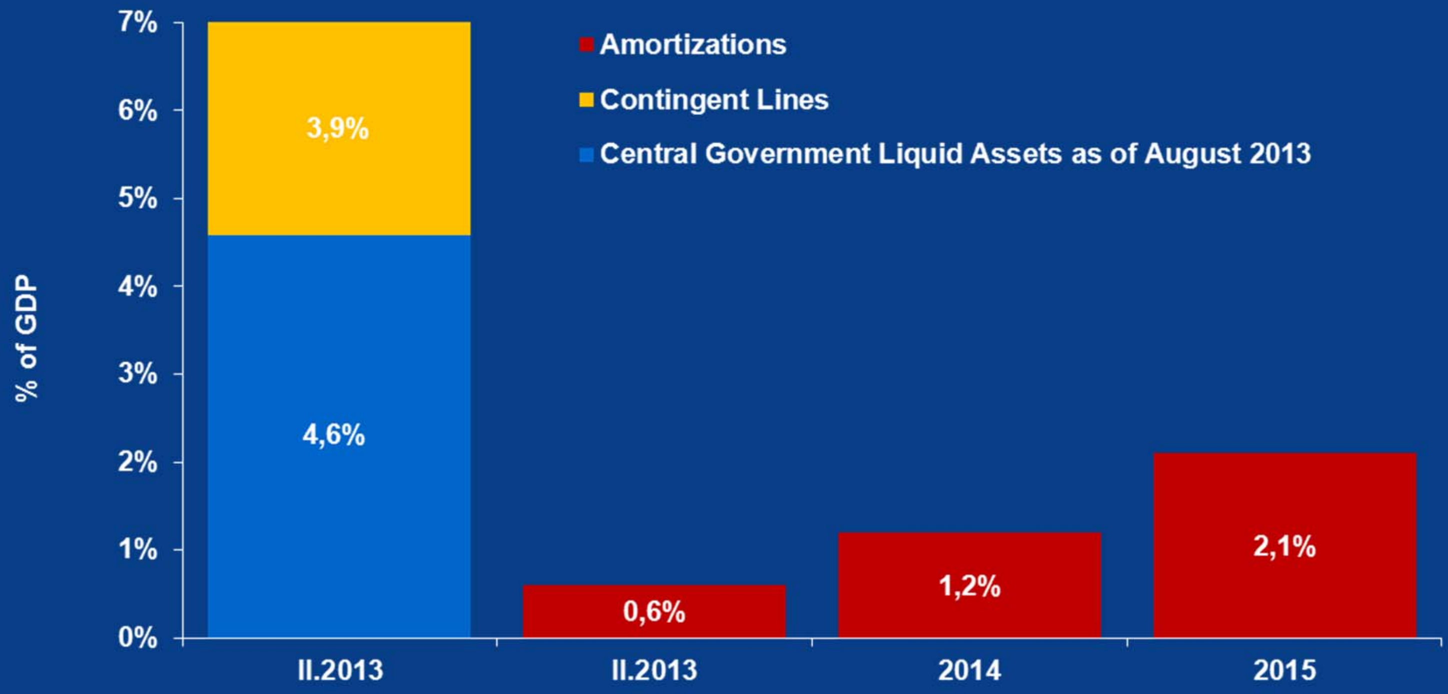
- ✓ Continue reducing the rollover risk, keeping a minimum floor for Average Time to Maturity.
- ✓ Maintaining a pre-funding policy to cover debt services payments for the next 12 months.
- ✓ Continue reducing FX risk, goal of 45% LC debt at the end of 2014.
- ✓ Continue reducing interest rate risk.
- ✓ Achieve an optimal mix of multilaterals and private debt.
- ✓ To achieve a more dynamic domestic market.
- ✓ To diversify the funding sources and broaden the investor base.

Debt Management has led to a smooth redemption profile



Source: Debt Management Unit, Ministry of Economy and Finance (preliminary data)

Low Refinancing Risk

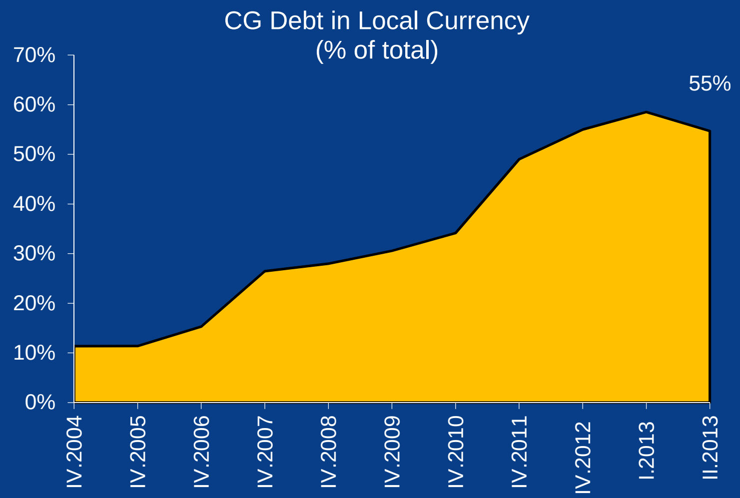


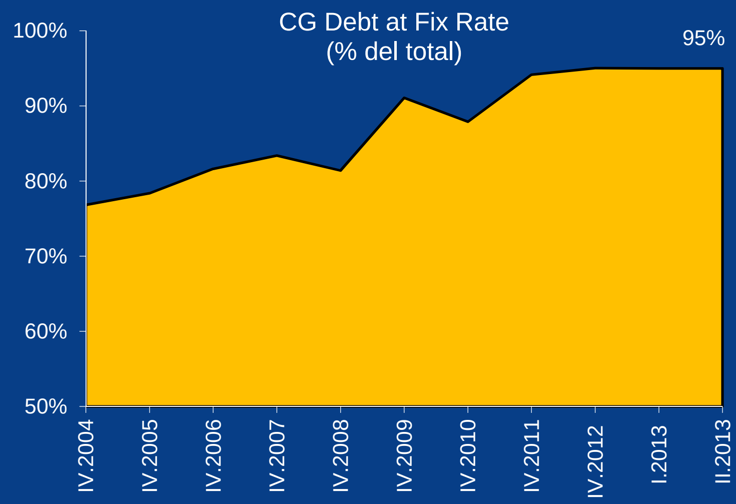
Source: Debt Management Unit, Ministry of Economy and Finance

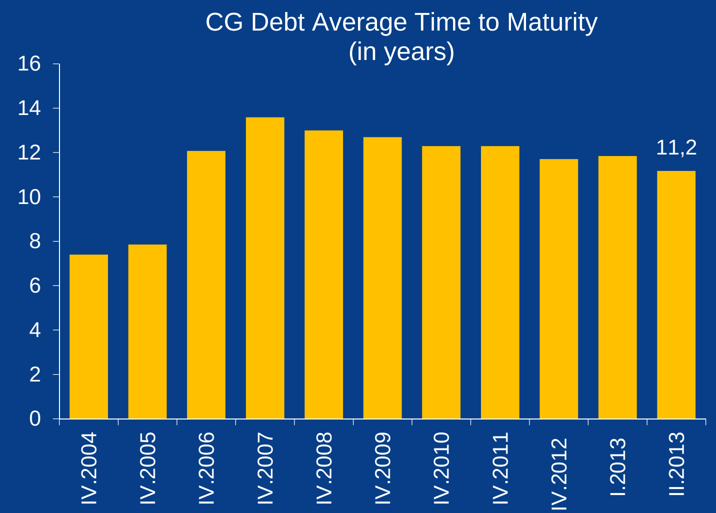
- ✓ Contingent credits lines amount to nearly USD 2bn, around 3.9% of GDP (World Bank - USD 520 million, IDB - USD 550 million, CAF - USD 400 million, FLAR USD 470 million).
- ✓ This provides the CG with significant funding flexibility in the event of market turbulence.

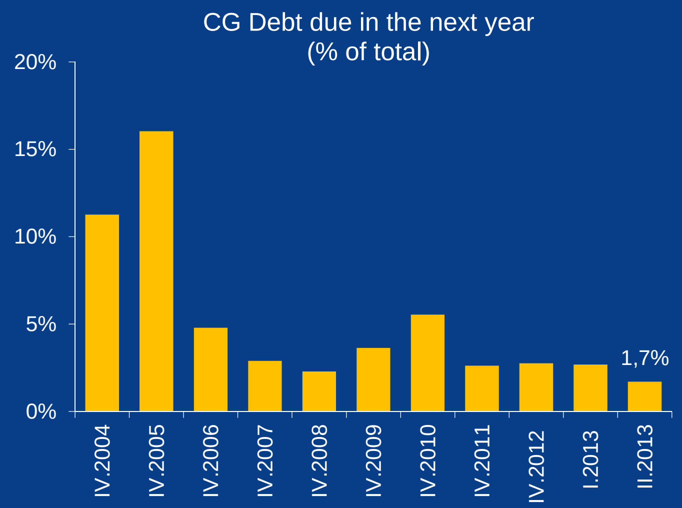
Central Government Risk Indicators

(Preliminary data as of 08/2012)





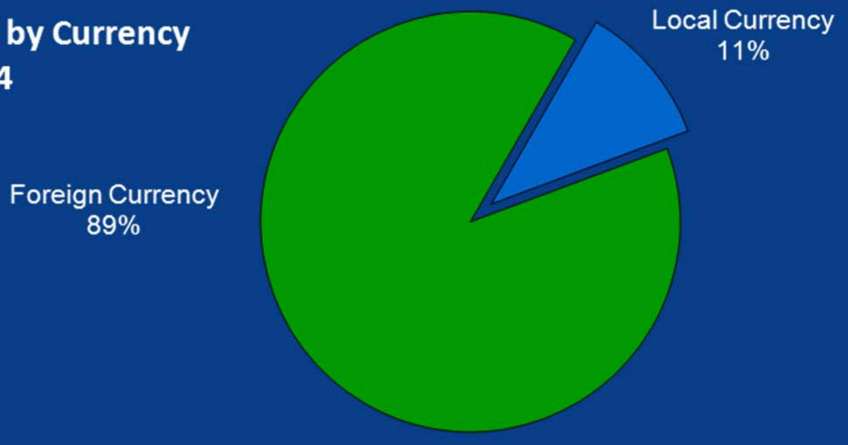




Source: Debt Management Unit, Ministry of Economy and Finance

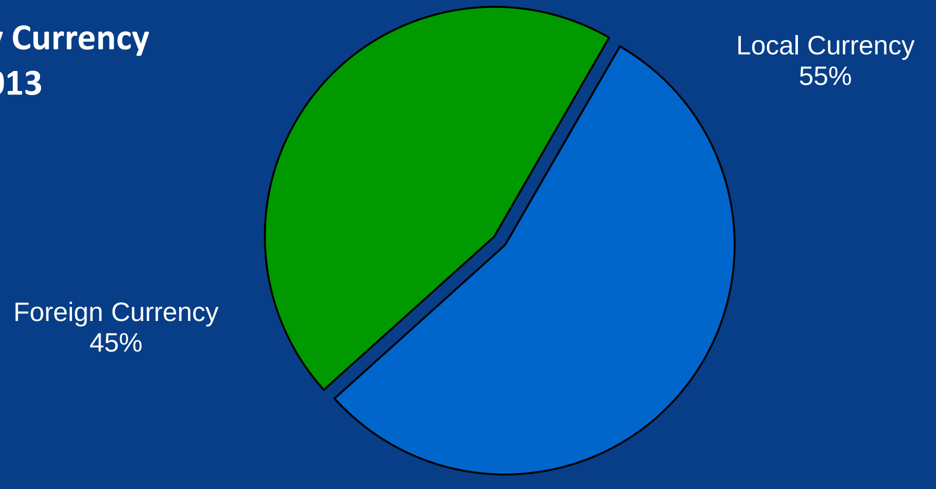
Decreasing share of Foreign Currency Debt

CG Debt Profile by Currency
2004



- When the current administration took office, it set the goal of lowering the country's foreign currency debt to 55% by the end of its term (year-end 2014).

CG Debt Profile by Currency
As of 08/2013



Source: Debt Management Unit, Ministry of Economy and Finance

Decreasing share of Foreign Currency Debt

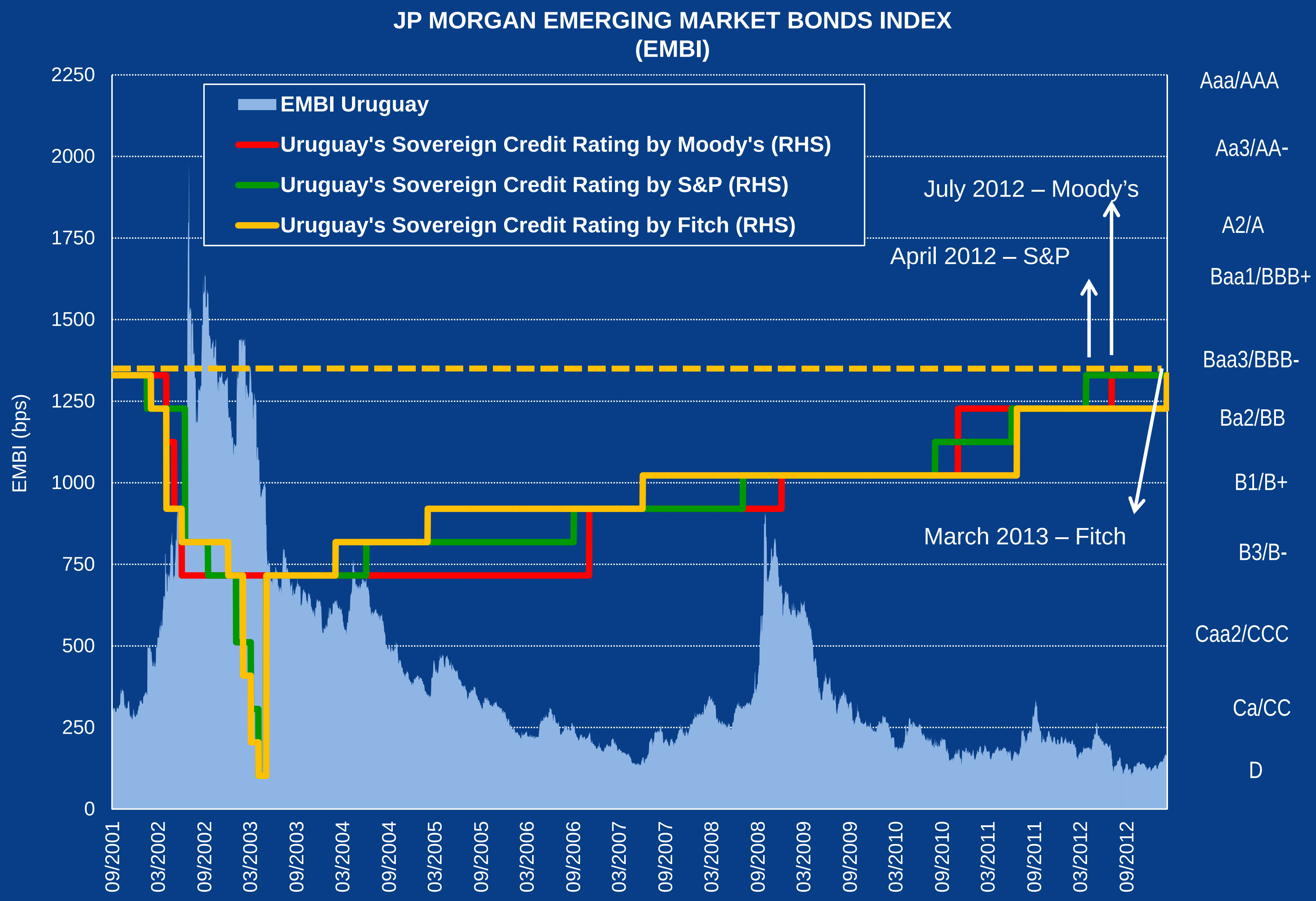
INTERNATIONAL MARKET

- ✓ Issuance of UI Global Bonds (linked to CPI).
- ✓ Liability Management (Buy-back Debt in FC & Debt Exchange).
- ✓ Development of Local Currency Yield Curves (UI and Peso).

LOCAL MARKET

- ✓ Announcement of local debt auctions for the next six months to increase transparency and predictability.
- ✓ Issuance of benchmarks at different maturities to provide depth and liquidity.
- ✓ Interest from foreign investors increased diversifying the traditional investor base of local pension funds, insurance companies and banks.

Back to Investment Grade in 2012



Source: Bloomberg, JP Morgan and Rating Agencies

Back to Investment Grade in 2012

04/2012 - Standard & Poor's raised Uruguay to BBB- from BB+

- *"The upgrade is based on Uruguay's sound economic growth prospects and improving external and fiscal indicators, as FDI strengthens and improves economic diversification. Prudent economic policies in recent years, backed by a broad political consensus, have allowed Uruguay to grow rapidly and reduce its main credit vulnerabilities. In contrast with much of South America, Uruguay managed to grow rapidly without a significant improvement in its terms of trade in the last decade".*

07/2012 - Moody's upgraded Uruguay to Baa3 from Ba1

- *"The upgrade reflects a steady improvement in the government 's credit profile that has led to a gradual convergence of its fiscal metrics with Baa peer medians . A significant strengthening of the government's balance sheet and reduced vulnerabilities to regional shocks were also contributing factors to assign an investment grade rating to Uruguay. The government's credit resiliency is supported by a debt structure with a maturity profile that exceeds most of Baa- rated countries and gross financing needs that are among the lowest for sovereigns rated by Moody's .*

03/2013 - Fitch upgraded Uruguay to BBB- from BB+

- *"Economic resilience in difficult external conditions, together with a stronger external balance sheet and improved debt profile support the upgrade. Sustained growth and economic diversification buttressed by robust FDI flows are also factors. Social and political stability, strong institutions and relatively high per capita income are fully in line with investment-grade sovereigns. Uruguay's public debt profile has improved thanks to well-timed liability management operations that have extended maturities, reduced dollarization, and deepened markets for Uruguayan debt".*

FINAL REMARKS

- ✓ Uruguay's debt profile has improved significantly due to LM operations that have extended maturities, reduced dollarization and deepened markets for Uruguayan debt.
- ✓ In addition to a healthy maturity profile, ample precautionary liquidity reserves and contingent credit lines provide the CG with funding flexibility to withstand stress scenarios.
- ✓ Regained investment grade status helps the Republic to lower its borrowing costs and widen its access to funding in the external capital market.
- ✓ Roll-over risk is once again in the spotlight as discussion of exit strategies takes place.

THANK YOU