Uruguay Debt Report

A quarterly report issued by the Debt Management Unit July 2010

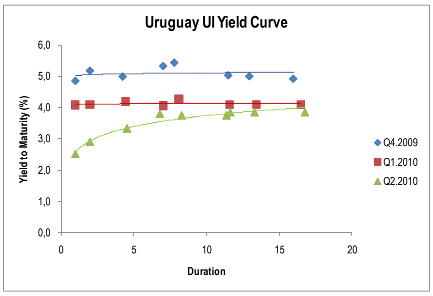
Executive

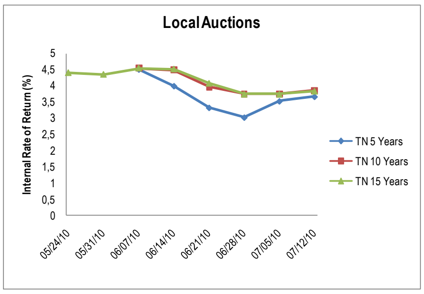
Uruguay began to issue Treasury Notes in the domestic market as part of its precautionary financing strategy which focuses on the reduction of the roll-over risk.

The achievement of a more dynamic domestic market is one of the main guidelines of the debt management strategy for the year. In this regard, the financing program of the government will be shifted mainly towards the issuance of local currency denominated papers in the internal market. In consequence, during the second half of May the government restarted the domestic auctions of Treasury Notes to continue its pre-funding policy. However, the Debt Management Unit will continue monitoring and evaluating the possibility of tapping the international markets opportunistically and executing liability management operations to further enhance the efficiency of its Global and Domestic Debt Curve.

The instruments issued are denominated in Indexed Units (linked to CPI) in order to continue diminishing the FX risk. Currently, the government is issuing Treasury Notes (TN) in three different points of the curve: 15, 10 and 5 years. These maturities, together with the UI instruments issued by the Central Bank up to two years life, allow the completion of a whole set of maturities for the country's debt curve.

In general, during the last quarter Uruguay´s spreads tightened both in the domestic and global markets, in particular those related to UI indexed bonds. The main drivers underlying this downward trend were an improvement in credit spreads for emerging debt markets and the reduction in the supply of local securities. For example, Government funding rates (15 years, UI denominated) that were around 4.40% in May are currently in the range of 3.85% (mid July).





In order to attain greater bond market liquidity, each instrument is reopened weekly according to the following scale: USD 10 million equivalent for the 15 and 10 years, and USD 5 million for the 5 years respective maturities. The Government has the legal capability to accept up to 200% of the amount originally offered. Currently, each of these instruments could reach the size of approximately USD 200 millions, figure that could be increased by decree.

It is worth noting that Non-resident investors can participate in all local auctions, through a local bank or broker, being the only condition to have an open account. Also, as part of the Payments System Reform, the Central Bank is working to set up a Central Securities Depositary System that will allow the international custody of local bonds.

Central Government Risk Indicators

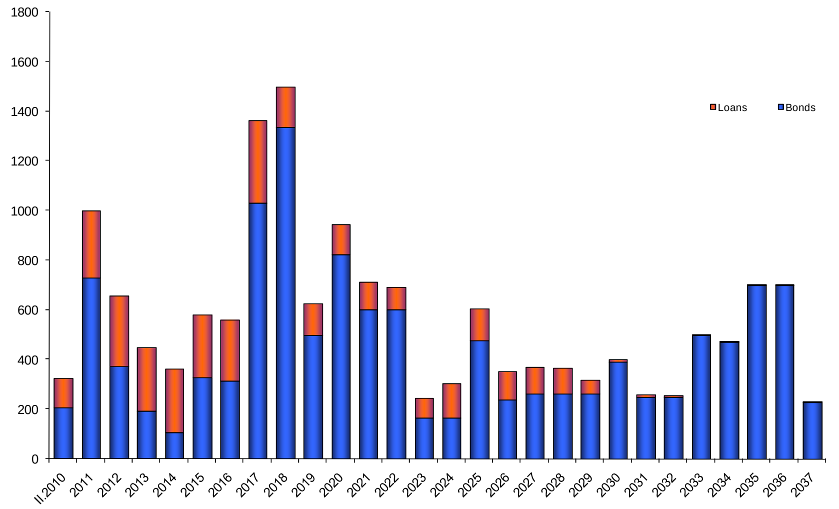
	IV.2004	IV.2005	IV.2006	IV.2007	IV.2008	IV.2009	I.2010	II.2010
Roll Over Risk								
ATM (years) (1)	7,4	7,9	12,1	13,6	13,0	12,7	12,7	12,6
% debt due in one year	11,3%	16,0%	4,8%	2,9%	2,3%	3,6%	4,2%	4,7%
Interest Rate Risk								
% debt that refixes rate in one year	32%	34%	22%	18%	20%	11%	11%	11%
ATR (years) (2)	4,9	6,6	11,1	12,3	11,9	12,0	12,0	11,9
Duration (years)	5,6	8,0	8,9	10,5	9,9	10,3	10,4	10,5
% debt with Fixed Rate	77%	78%	82%	83%	81%	91%	90%	90%
% debt with Floating Rate	23%	22%	18%	17%	19%	9%	10%	10%
Foreign Currency Risk								
% debt in Units linked to CPI	11%	11%	15%	26%	28%	31%	31%	31%
% debt in dollars	62%	64%	77%	65%	64%	63%	63%	63%
% debt in others currencies	26%	25%	8%	9%	8%	7%	6%	6%
Debt Composition by Instrument								
Loans	44%	40%	0%	17%	19%	21%	21%	21%
Bonds	56%	60%	0%	83%	81%	79%	79%	79%
Debt Composition by Jurisdiction								
Local Market	22%	22%	23%	21%	16%	16%	16%	16%
External Market	78%	78%	77%	79%	84%	84%	84%	84%
Average interest rate (annual % by currency)								
Dollars	6,1	7,8	7,0	7,1	7,0	6,5	6,5	6,4
Units Linked to CPI	7,1	5,4	5,3	4,4	4,3	4,3	4,3	4,4
Euros	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9
Yens	2,5	2,5	2,5	2,3	2,3	2,3	2,3	2,3

(1) Average time to Maturity

(2) Average time to Refix

Central Government Debt Profile

USD Million



Central Government Flow of Funds

USD Million

	2009	2010	2011
USES		**1793**	**2055**
Interests Payments		967	978
Amortizations		658	1027
Loans		228	273
Bonds		431	755
Others		168	49
SOURCES		**1793**	**2055**
Primary Surplus		500	600
Multilaterals Disbursements		320	260
Issuances		700	1100
Others		149	0
Use of Assets*		124	95
Central Government Account	1509	1385	1290

***Positive indicates a reduction in reserves**

Source: Debt Management Unit

DEBT MANAGEMENT UNIT

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