Uruguay Debt Report
A quarterly report issued by the Debt Management Unit January 2013

Executive

Uruguay executed a liability management transaction in November 2012 that allowed the Central Government to further improve its external debt profile, creating a new liquid benchmark bond in US Dollars at historically low yields and reducing refinancing risk by extending the average maturity of the debt.

On November 13th Uruguay announced a series of liability management transactions designed to further improve its external debt profile, including the issuance of a new bond, an Exchange Offer, and a Cash Tender Offer.

The transaction was structured within a four-business day window, issuing USD500 million of a new Global Benchmark Bond due 2045 at par price and 4.125% coupon (140 basis points over US Treasuries) on the first day after being absent from the international US Dollar markets since 2009. The order book was oversubscribed and allocated among a wide range of investors, including banks, investment managers and insurance companies within the US (48%), Europe (36%), Latam (12%) and others (4%).

Concurrently, and after pricing the new bond, an Exchange Offer and a Cash Tender Offer were announced. Uruguay invited holders of US Dollar and Euro bonds due between 2013 and 2027 to a cash tender offer at fixed price, and also offered to holders of US Dollar bonds maturing between 2013 and 2036 to exchange such bonds for additional New Bond due 2045, enhancing its liquidity. The Republic applied all the new money to buy-back USD352 million short-term debt in Euros and US Dollars, spending USD499 million[1] as bonds were trading above par value. The tender was conditional on the settlement of the new Global Bond due 2045 offering and was capped at USD500 million cash spent. With the repurchase of shorter maturities as the key priority, all short and medium term tender offers were accepted, while 65.4% of the amount tendered of the USD Global 2022 was rejected and no offers were taken from USD Global 2025 and USD Global 2027 (the total amount tendered was USD1.1 billion). At the exchange offer the eligible bonds were split into two groups, Group A, which included US Dollar bonds due 2013-2027 and Group B, which included USD Global 2033 and USD Global 2036. The Republic accepted all the bonds tendered for exchange, which amounted to USD241 million.

The overall result of the transaction included the issuance of a new Global Benchmark Bond 2045 which reached an outstanding of USD854 million, USD500 million of new money and USD354 million from the exchange of US Dollar bonds due between 2013 and 2036. The 33-year issuance was placed at 4.125%, the lowest-ever coupon paid by Uruguay in US Dollar denominated bonds at any maturity. The characteristics of this issuance mean Uruguay achieved the lowest financing cost of its history and the lowest in Latin America after Chile. Uruguay's yield compares with the 3.7% achieved by Chile in a 30-year issue with a 3.625% coupon on October 25th. The foregoing long term 30-year issues of Uruguay were the USD Global 2033, issued in April 2003 at a coupon of 7.875%, and the Global 2036 issued in March 2006 with a coupon of 7.625%. After the transaction, the Republic has three liquid benchmarks at key maturities in its US Dollar curve: Global 2022 with an outstanding of about USD1.2 billion, Global 2036 with an outstanding of about USD1.4 billion, and the New Global 2045. Moreover, the average maturity of the debt as of 2012Q3 was extended to 12 years from 11.2 years according to preliminary estimates, enabling a light repayment schedule with average amortizations payment of 1.6% of GDP between 2013 and 2022.

It is noteworthy that the main purpose of the transaction was to create a liquid US Dollar benchmark at the long end of the curve, taking advantage of favorable market conditions and the recently regained 'Investment Grade' status granted by Standard & Poor's and Moody's. With low gross financing needs and precautionary liquidity assets enough to cover amortizations payments up to October 2015 at the end of October 2012, fund-raising was not an objective at this liability management exercise.

Uruguay Wins LatinFinance "Deal of the Year" as Best Sovereign Liability Management. On January 17th, LatinFinance Magazine announced the winners of its annual Deal of the Year and Uruguay won the "Best Liability Management" award for a series of liability management transactions conducted on December 2011. For further information please refer to January 2013 Edition of 'Uruguay in Focus'.

[1] Net proceeds after deducting USD0.9 million on account of fees and expenses related to the transaction.

Central Government Risk Indicators

	IV.2004	IV.2005	IV.2006	IV.2007	IV.2008	IV.2009	IV.2010	IV.2011	I.2012	II.2012	III.2012	IV.2012 (*)
Roll Over Risk												
ATM (years) (1)	7,4	7,9	12,1	13,6	13,0	12,7	12,3	12,3	11,9	11,3	11,2	11,7
% debt due in one year	11,3%	16,0%	4,8%	2,9%	2,3%	3,6%	5,5%	2,6%	2,8%	3,1%	3,3%	2,8%
Tax Revenues /Amortization Payments	1,4	2,6	1,6	6,0	4,6	17,9	7,6	3,6	4,0	4,3	5,1	3,6 (3)
Liquid Assets CG/Amortization Payments due in one year	0,3	0,3	0,4	0,7	1,6	1,4	0,7	4,0	4,3	4,8	3,0	3,6 (4)
Interest Rate Risk												
% debt that refixes rate in one year	32%	34%	22%	18%	20%	11%	15%	7%	6%	8%	7%	7%
ATR (years) (2)	4,9	6,6	11,1	12,3	11,9	12,0	11,3	11,7	11,3	10,7	10,7	11,2
Duration (years)	5,6	8,0	8,9	10,5	9,9	10,3	10,4	10,2	9,9	9,2	9,3	9,7
% Debt with Fixed Rate	77%	78%	82%	83%	81%	91%	88%	94%	94%	94%	95%	95%
% Debt with Floating Rate	23%	22%	18%	17%	19%	9%	12%	6%	6%	6%	5%	5%
Foreign Currency Risk												
% debt in Local Currency	11%	11%	15%	26%	28%	31%	34%	49%	53%	50%	53%	55%
% debt in Foreign Currency	89%	89%	85%	74%	72%	69%	66%	51%	47%	50%	47%	45%
Debt Composition by Instrument												
Loans	44%	40%	18%	17%	19%	21%	19%	15%	14%	14%	14%	13%
Bonds	56%	60%	82%	83%	81%	79%	81%	85%	86%	86%	86%	87%
Debt Composition by Jurisdiction												
Local Market	22%	22%	23%	21%	16%	16%	18%	25%	29%	27%	29%	30%
External Market	78%	78%	77%	79%	84%	84%	82%	75%	71%	73%	71%	70%
Average interest rate (annual % by currency)												
Dollars	6,1	7,8	7,0	7,1	7,0	6,5	6,5	6,5	6,5	6,5	6,4	6,0
Units Linked to CPI	7,1	5,4	5,3	4,4	4,3	4,3	4,3	4,2	4,2	4,2	4,1	4,0
Uruguayan Pesos								10,6	10,2	10,2	9,6	9,4
Euros	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9	6,9	5,8
Yens	2,5	2,5	2,5	2,3	2,3	2,3	2,3	1,9	1,9	1,9	1,9	1,9

(*) Preliminary Data

(1) Average time to Maturity

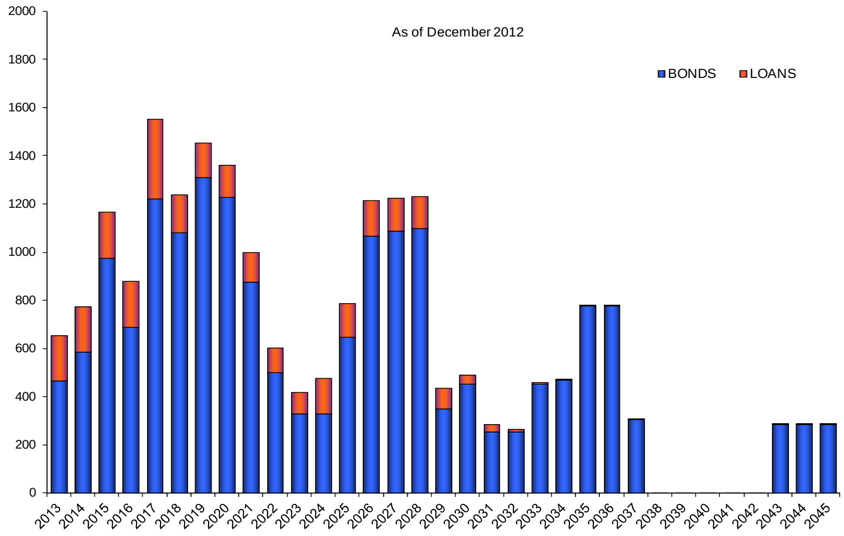
(2) Average time to Refix

(3) 12 month period ended Nov 2012

(4) Amortizations of the next 12 months starting in Jan 2013

Central Government Debt Profile

USD Million



Central Government Flow of Funds

USD Million

	2011	2012(*)	2013(*)
USES	**3976**	**2689**	**2583**
Interests Payments	1170	1163	1357
Amortizations	2736	1227	659
Loans	457	186	190
Bonds	2280	1041	469
Others	69	299	567
SOURCES	**3976**	**2689**	**2583**
Primary Surplus	884	160(1)	253(1)
Multilaterals Disbursements	237	186	83
Issuances	4673	2436	1200
Others	119	93	250
Use of Assets*	-1937	-186	797

Positive indicates a reduction in reserves

(*) Preliminary Data

(1) Source: Macroeconomic and Financial Advisory Unit Preliminary Estimate

Source: Debt Management Unit

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