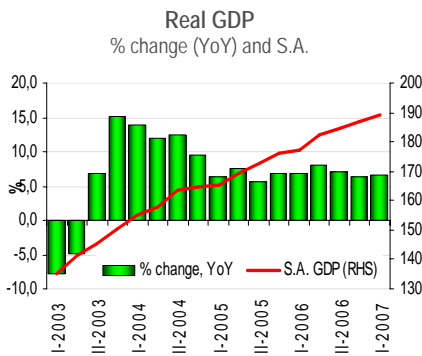




REAL SECTOR

GDP continued strong growth in 2007QI.

Real GDP increased 6.7% in 2007QI as compared to the same period of 2006, completing more than three consecutive years of sustained economic growth. On a seasonally adjusted basis, economic activity expanded 1.3% in relation with the last quarter of 2006.



Source: Central Bank of Uruguay

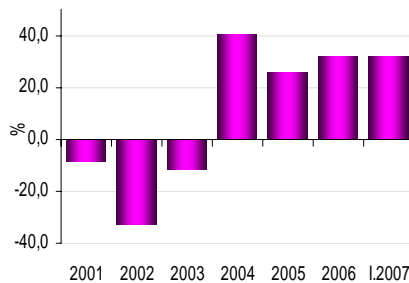
Private Fixed Capital Formation continued to represent the most dynamic component of aggregate demand, increasing 32.2% on an interannual basis. Its impact on total investment was mitigated by a reduction in Public Investment, once the construction of UTE's new electricity plant in "Punta del Tigre" has been completed



Source: Central Bank of Uruguay

Private Consumption continued its recovery trend (10.1% yoy), above GDP's expansion, while Government expenditure has been evolving underneath, consistently with the need to maintain the fiscal result in line with the targets.

Gross Fixed Private Investment % change (YoY)



Source: Central Bank of Uruguay

Exports of goods and services, on their side, increased 6.4%, accounting for 27% of growth in total aggregate demand.

In terms of the domestic supply composition, all sectors of the economy expanded during 2007QI when compared to the same quarter of 2006, except for the Agricultural & Livestock sector and the Construction sectors. These sectors, which had presented a strong dynamic performance during 2006, recorded a reduction of 2.4% and 2.1%, respectively. In the first case, the reduction was the consequence of a decrease in rice, sunflower and potato crops, as well as a reduction in the number of animals processed after historical records in 2006. The decrease in construction is also related to the public sector, after the completion of the electricity plant already mentioned.

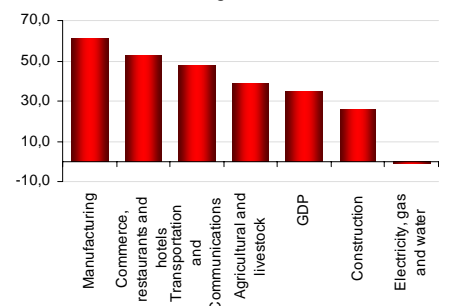
The most dynamic sector of the economy during 2007QI was manufacturing (12.5% yoy), accounting



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for 2.4% of total GDP's quarterly expansion. Transportation and Communications, as well as Commerce, Restaurants and Hotels sectors also obtained significant growth rates of 10.9% and 9.4% YoY, respectively.

Sectorial Contribution to Growth, Over the Last 4 Years % change (YoY)



Source: Central Bank of Uruguay

Market analysts surveyed by the Central Bank in June, are expecting on average a 5.0% expansion of GDP in 2007 and 3.9% in 2008.

In spite of the positive evolution of economic activity and after a sustained downward trend over the last year, unemployment unexpectedly increased to 10.5% of the labor force as of May 2007, after recording a level of 9.7% one month before.

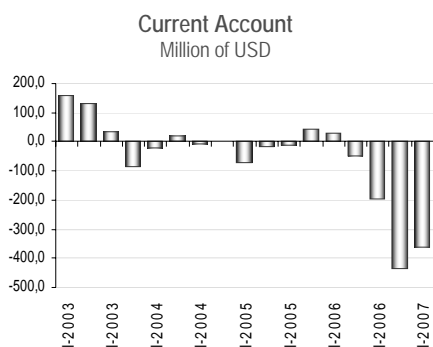
EXTERNAL TRADE & BALANCE OF PAYMENTS

FDI reaches record high.

The Merchandise Trade Balance, in a FOB basis, registered a deficit of USD 444 million, equivalent to 2.2% of GDP, in the first four months of the year, compared to a USD 423 million deficit in the same period last year. Although exports increased during the period reaching historical peaks and overpassing USD 4bn, the trade balance deficit was maintained due to an equivalent rise in imports, in particular basic manufacturing inputs.

As of May 2007, export orders had increased 9.7% (ytd), as compared to the same period of 2006. This increase was particularly concentrated in non-Traditional exports (16.3%).

The Current Account of the Balance of Payments reached a deficit of USD 360 million (1.8% of GDP) in the last twelve rolling months, reverting the deteriorating tendency of the last three quarters, but still displaying a weaker result than the USD 32 million surplus of the year ending in March 2006.

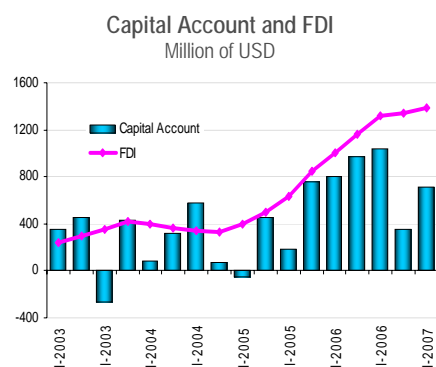


Source: Central Bank of Uruguay

The Capital and Financial Account recorded a surplus of USD 710 million (3.6% of GDP) over the last year. The capital inflow was explained mainly by foreign direct investment, which attained the highest level in the last years, equivalent to USD 1,391 million in net terms (7.0% of GDP).

This level of FDI and the capital inflows of USD 1.299 million resulting from public bonds issuances was partially offset, because of the cancellation of

external liabilities with multilateral organizations, in particular the amortization of all the outstanding debt with the IMF in the last quarter of 2006 for an equivalent of USD 2,690 million.



Source: Central Bank of Uruguay

These flows allowed, in turn, the Central Bank to increase the stock of Reserve Assets by USD 326 million over the same period.

PUBLIC SECTOR

Primary surplus: 3.3% of GDP as of 2006QII-2007QIV.

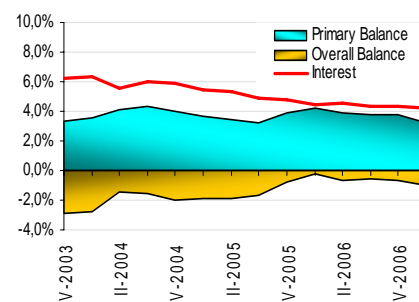
On May 14th, the Executive sent to the Congress the annual report on the execution on the Budget and the review for the period 2007-2009. This project envisages a primary surplus of 3.8% of GDP for the overall public sector in 2006, 2007 and 2008, reducing to 3.6% in 2009.

Given the strength of GDP growth and the proactive debt management undertaken by this Administration, the burden of interest payments was reduced from an initial 4.7% of GDP in 2005 to a current estimation of 4.4% this year. It is expected that this amount will be further reduced to a level of 3.9% by 2009, allowing the overall result to improve from an initial deficit of 0.8% to a 0.3% of GDP at the end of this Administration.

The overall public sector deficit increased to 1.0% of GDP in the year ending in March 2007, as compared to 0.6% in 2006. Given that interest payments as a percentage of GDP were reduced from 4.4% in the previous quarter to 4.2%, the increase in the

overall deficit is explained by a reduction in the primary surplus to 3.3%, from 3.8% in 2006.

Public Sector Balance and Interest % of GDP

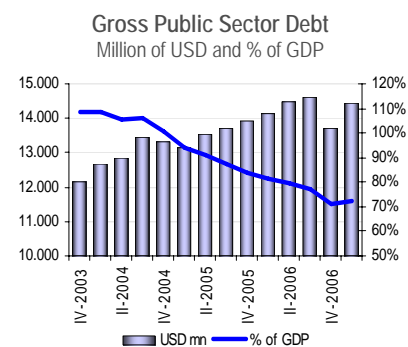


Source: Ministry of Economy and Finance

The non financial public sector registered a primary surplus of 3.4% of GDP over the last four quarters ended 2007QI, down from 3.9% in 2006. With stable revenues at a level of 28.7% of GDP, primary expenditures increased by 0.4%, mainly related to wages and transfers.

After interest payments, the overall balance of the non financial public sector was -1.2% of GDP.

The overall public sector debt reached 72% of GDP in the first quarter of 2007, 12% below its level of 2005 (84%). This relationship had recorded a historical high of 109% in 2003.



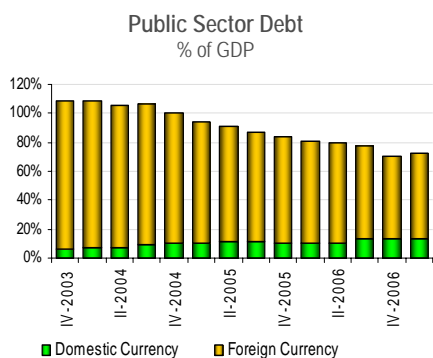
Source: Central Bank of Uruguay

The Government took advantage of the favorable conditions in international capital markets to increase the average maturity of the debt, which is now at levels of 12 years, to shift the currency composition to increase the share of domestic currency and finally, to cancel all the pending obligations with the IMF, amounting to approximately USD 2,690

million. The share of total outstanding debt with multilaterals decreased from 39% in 2005 to 18% in 2007Q1.

On March, the Government issued a USD 500mn equivalent 20-year CPI-linked Global Peso Bond with a yield of 4.25%. On June, Uruguay was able to further lengthen the average maturity of the debt and increase the share of domestic currency through the issuance of another USD 500mn equivalent of a CPI-Linked Global Peso Bond, due 2037. The yield to maturity was 3.70%.

On its side, the non financial sector debt also continued its downward tendency as a share of GDP, amounting to 58% as of 2007Q1, from 68% in 2005 and 91% in 2003.



Source: Central Bank of Uruguay

At the end of 2003, only 4% of the NFPS debt was denominated in local currency. Over the three following years, this percentage increased to over 10% as of 2007Q1. At the end of 2007, 15% of the NFPS debt is expected to be denominated in local currency.

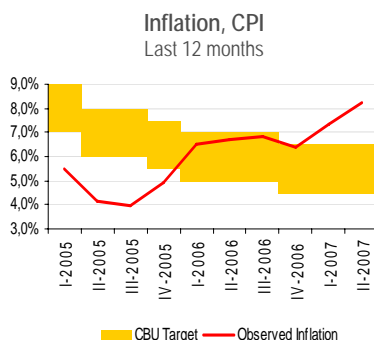
Total public sector external debt represented 49% of GDP at the end of 2007Q1, almost totally corresponding to the NFPS, down from 78% in 2003. The majority of this debt has a residual maturity of more than 5 years.

INFLATION AND MONETARY INDICATORS

Inflation over the Central Bank's Target

The Consumer Price Index increased 5.51% in the first 6 months of the year, accumulating an 8.05% rise in the last

twelve months, above the Central Bank's upper limit target range of 6.5% but lower than the 8.25% of May. Inflation has been above the upper limit of the target since January, mainly as a consequence of a series of supply side shocks, like the domestic impact of international oil prices or the rise in prices of fruits and vegetables.



Source: Central Bank of Uruguay

However, in the last meeting of the Monetary Policy Committee, the Central Bank announced that it would continue to restrain the growth of monetary aggregates below 9%, in annualized terms, in an effort to assure the convergence of the inflation rate to the official target set to the range of 4.5%~6.5%, as of the end of 2007.

On July 1st a new tax system became effective, introducing a personal income tax and reducing in turn VAT and other indirect taxes, which are expected to have a positive impact in the reduction of prices and help the monetary authority to slow down inflation in the coming months.

Market expectations surveyed by the Central Bank expect on average a rate of inflation of 7.3% in 2007, decreasing to 6.3% in 2008. The Central Bank has reaffirmed its 2008 target in the range 4~6%.

RECENT DEVELOPMENTS

A new tax system is implemented

On July 2007 the tax reform approved by the Congress and promulgated by the Executive in December 2006 became fully effective. This reform is intended to simplify the overall tax

system as well as making it more progressive and fair. The new tax system introduces a new personal tax on income of Uruguayan sources, with rates ranging from 3% to 25%.

On the other hand, it reduces VAT rates at the same time that it broadens the tax base. Other indirect taxes were also reduced or eliminated.

Finally, corporate tax rates are reduced from 30% to 25%.

Uruguay

Economic Indicators

	2000	2001	2002	2003	2004	2005	2006	last available	as of:
Economic structure and performance									
Population (mn, as of June 30th)	3,3	3,3	3,3	3,3	3,3	3,3	3,3	3,3	2007M6
Nominal GDP (local currency, \$bn)	243	247	261	316	379	407	465	481	
Nominal GDP (USDmn)	20080	18562	12295	11206	13241	16653	19357	20007	2007Q1 (ytd)
GDP per Capita (USD)	6083	5611	3716	3392	4010	5038	5840	6019	2007Q1 (ytd)
Unemployment (% of labor force, eop)							10,9	8,7	2007M6
Real GDP (% change)	-1,4	-3,4	-11,0	2,2	11,8	6,6	7,0	6,7	2007Q1 (ytd)
								1,3	2007Q1/2006Q4 (sadj)
o/w Agricultural & Livestock	-3,2	-7,1	5,1	10,5	10,7	4,7	8,3	-2,4	2007Q1 (ytd)
Manufacturing	-2,1	-7,6	-13,9	4,7	20,8	10,1	8,4	12,5	2007Q1 (ytd)
Electricity, gas & water	5,0	1,7	-0,6	-7,4	1,8	5,8	-1,5	4,6	2007Q1 (ytd)
Construction	-11,1	-8,7	-22,0	-7,1	7,5	4,2	14,0	-2,1	2007Q1 (ytd)
Commerce, restaurants & hotels	-5	-3	-24	-1	21	10	8	9,4	2007Q1 (ytd)
Transportation & communications	1,5	0,3	-9,1	3,1	11,5	11,1	12,0	10,9	2007Q1 (ytd)
Gross domestic investment (% volume change)	-13,0	-9,1	-34,5	17,9	22,0	12,7	24,7	3,6	2007Q1 (ytd)
Gross domestic investment/GDP (%)	14,0	13,8	11,5	12,6	13,1	13,1	16,4		
Consumption (% volume change)	-1,4	-2,1	-15,9	1,1	9,5	2,8	8,6	9,4	2007Q1 (ytd)
Consumption/GDP (%)	87,7	87,9	86,5	85,9	83,8	84,3	84,1		
Exports (goods & services, % volume change)	6	-9	-10	4	30	16	8	6,4	2007Q1 (ytd)
Exports (goods & services)/GDP (%)	19,3	18,3	22,0	26,1	31,8	31,1	29,9		
Imports (goods & services, % volume change)	0,1	-7,1	-27,9	5,8	26,8	10,1	16,0	10,4	2007Q1 (ytd)
Imports (goods & services)/GDP (%)	21,0	20,0	20,0	24,6	28,7	28,5	30,3		
Openness of the economy (%)	40	38	42	51	61	60	60		

Inflation and Monetary Indicators

Inflation (CPI, % change, 12m)	5,05	3,59	25,94	10,19	7,59	4,9	6,38	8,03	2007M7
Inflation (WPI, % change, 12m)	9,5	3,8	64,6	20,5	5,1	-2,2	8,2	8,86	2007M7
Nominal exchange rate (UYU per USD, dec)	12,45	14,06	27,20	29,19	26,51	23,58	24,38	23,75	2007M7
Nominal exchange rate (UYU per USD, average)	12,10	13,32	21,22	28,17	28,65	24,42	24,01	24,07	2007M7
REER (CPI, 2000=100)	99,3	105,3	119,8	145,8	134,8	122,8	128,3	126,4	2007M6
REER (% change, 12m, +=depreciation)		6,0	13,8	21,7	-7,5	-8,9	4,5	2,9	2007M6
Real Wages (% change)	-1,9	0,0	-19,5	-3,4	4,5	3,7	1,8	1,8	2007M6
Monetary Base (% change, 12m)				24,9	11,1	34,1	5,0	8,7	2007M6
M1 (% change, 12m)	-4,2	-3,2	4,7	34,0	13,0	33,4	20,0	22,2	2007M6
M2 (% change, 12m)	4,1	-0,8	-7,9	29,4	13,5	27,2	22,1	20,8	2007M6
Overnight interbank interest rate (% dec avg)	17,5	42,7	51,3	1,4	1,0	0,8	1,0	4,3	2007M7
Short-term deposit interest rate (% 60-90 days, dec avg)	16,2	22,4	61,8	8,7	5,0	2,3	2,0	2,0	2007M6
Total private NFS banking deposits/GDP (% eop)	66,5	80,4	55,3	68,5	61,9	51,8	48,6	49,4	2007M6
Local currency private NFS deposits (USDmn equiv, eop)	1577	1339	605	692	862	1178	1421	1571	2007M6
Foreign currency private NFS deposits (USDmn, eop)	11766	13590	6194	6981	7330	7456	7993	8305	2007M6
o/w non-resident deposits (USDmn, eop)	4852	6194	1336	1382	1527	1553	1607	1660	2007M6
Dollarization ratio (% of foreign currency deposits)	88,2	91,0	91,1	91,0	89,5	86,4	84,9	84,1	2007M6
Foreign currency deposits/Total reserve assets				3,3	2,9	2,4	2,6	2,4	2007M6
Domestic credit to private NFS/GDP	48,7	48,3	50,9	35,1	27,2	22,3	21,5	22,5	2007M6
Domestic credit to private NFS (USDm, eop)	9781	8957	6257	3930	3598	3717	4165	4510	2007M6

Balance of payments and external trade

(USDmn)									
Current account balance	-566	-498	382	-56	43	42	-434	-360	2007Q1 (ytd)
Current external receipts	4489	4143	3230	3421	4796	5810	6550	6784	2007Q1 (ytd)
Current external payments	5055	4641	2848	3477	4753	5767	6984	7144	2007Q1 (ytd)
Trade balance (goods & services)	-533	-460	202	350	518	393	-91	-46	2007Q1 (ytd)
Merchandise balance	-927	-775	48	183	153	21	-473	-483	2007Q1 (ytd)
Exports of goods and services	3660	3262	2693	3084	4296	5085	5671	5862	2007Q1 (ytd)
o/w Merchandise exports, FOB	2384	2140	1922	2281	3145	3774	4387	4490	2007Q1 (ytd)
Tourism	713	611	351	345	493	594	597	675	2007Q1 (ytd)
Imports of goods and services	4193	3722	2492	2734	3778	4693	5762	5908	2007Q1 (ytd)
o/w Merchandise imports, FOB	3311	2915	1874	2098	2992	3753	4859	4972	2007Q1 (ytd)
o/w Oil, FOB									
Income	-61	-68	109	-488	-588	-494	-469	-443	2007Q1 (ytd)
Income, credit	782	833	453	242	373	563	734	773	2007Q1 (ytd)
o/w Interest receipts	780	833	453	242	367	560	726	762	2007Q1 (ytd)
Income, debit	842	901	344	730	960	1057	1203	1216	2007Q1 (ytd)
o/w Interest payments	753	798	660	622	742	839	920	897	2007Q1 (ytd)
Current transfers, net	28	30	72	83	113	144	126	129	2007Q1 (ytd)
Current transfers, credit	48	48	84	95	127	161	146	149	2007Q1 (ytd)
Current transfers, debit	21	18	12	12	14	17	19	20	2007Q1 (ytd)
Capital & financial account	772	490	-280	426	67	748	350	707	2007Q1 (ytd)
Direct investment, net	274	291	180	401	315	811	1348	1384	2007Q1 (ytd)
o/w Foreign direct investment	274	297	194	416	332	847	1346	1384	2007Q1 (ytd)
Portfolio equity and debt investment, net	191	508	329	-311	-422	806	1729	1219	2007Q1 (ytd)
Other capital flows	306	-308	-789	336	174	-869	-2727	-1896	2007Q1 (ytd)
Net errors and omissions	17	285	-2430	1010	345	-174	65	-24	2007Q1 (ytd)
Overall balance (increase in Central Bank intl reserve assets)	222	277	-2328	1380	455	616	-19	323	2007Q1 (ytd)
memo items: Central Bank international reserve assets (eop)	2905	3100	772	2087	2512	3078	3091	3487	2007M7
International investment position (eop, +=creditor)			-1694	-1256	-1520	-1221	-2079		
Total external debt (eop)	8895	8937	10548	11013	11593	11418	10560	10967	2007Q1 (ytd)
Net external debt (eop)	5800	5489	8857	8255	8624	7531	6959	6684	2007Q1 (ytd)

(%, current USD values, unless otherwise indicated)

Current external receipts/GDP	22,4	22,3	26,3	30,5	36,2	34,9	33,8	33,9	2007Q1 (ytd)
Current external payments/GDP	25,2	25,0	23,2	31,0	35,9	34,6	36,1	35,7	2007Q1 (ytd)
Current account balance/GDP	-2,8	-2,7	3,1	-0,5	0,3	0,3	-2,2	-1,8	2007Q1 (ytd)
Current account balance/Current external receipts	-12,6	-12,0	11,8	-1,6	0,9	0,7	-6,6	-5,3	2007Q1 (ytd)
Trade balance/GDP	-2,7	-2,5	1,6	3,1	3,9	2,4	-0,5	-0,2	2007Q1 (ytd)
Exports (goods & services, % change, 12 rolling months)		-10,9	-17,4	14,5	39,3	18,4	11,5	12,1	2007Q1 (ytd)
Merchandise exports, FOB/GDP	11,9	11,5	15,6	20,4	23,8	22,7	22,7	22,4	2007Q1 (ytd)
Merchandise exports, FOB (% change, 12 rolling months)		-10,2	-10,2	18,7	37,9	20,0	16,2	13,7	2007Q1 (ytd)
Tourism exports/GDP	3,5	3,3	2,9	3,1	3,7	3,6	3,1	3,4	2007Q1 (ytd)
Tourism exports (% change, 12 rolling months)		-14,4	-42,5	-1,8	43,1	20,5	0,4	18,9	2007Q1 (ytd)
Imports (goods & services, % change, 12 rolling months)		-11,2	-33,0	9,7	38,2	24,2	22,8	21,3	2007Q1 (ytd)
Merchandise imports, FOB/GDP	16,5	15,7	15,2	18,7	22,6	22,5	25,1	24,9	2007Q1 (ytd)
Merchandise imports, FOB (% change, 12 rolling months)		-12,0	-35,7	12,0	42,6	25,4	29,5	25,2	2007Q1 (ytd)
Oil Imports/GDP									
Oil Imports (% change, 12 rolling months)									
Net interest payments/Current external receipts	-0,6	-0,8	6,4	11,1	7,8	4,8	3,0	2,0	2007Q1 (ytd)
Foreign direct investment/GDP	1,4	1,6	1,6	3,7	2,5	5,1	7,0	6,9	2007Q1 (ytd)
Net foreign direct investment/GDP	1,4	1,6	1,5	3,6	2,4	4,9	7,0	6,9	2007Q1 (ytd)
Total external debt/Current external receipts	198,1	215,7	326,5	321,9	241,7	196,5	161,2	161,7	2007Q1 (ytd)
Net external debt/Current external receipts	129,2	132,5	274,2	241,3	179,8	129,6	106,2	98,5	2007Q1 (ytd)
International investment position/GDP (+=Creditor)			-8,4	-6,8	-12,4	-10,9	-15,7		
Share of merchandise trade w/MERCOSUR partners	44,1	42,7	40,6	39,1	35,5	33,1	35,8	36,6	2007Q1 (ytd)

Public Finances

(%)

Non Financial Public Sector

Overall balance/GDP	-3,4	-3,7	-4,0	-2,5	-1,1	-0,7	-0,9	-1,2	2007Q1 (ytd)
Revenue/GDP	29,6	30,6	29,5	30,0	29,0	29,2	28,8	28,7	2007Q1 (ytd)
Expenditure/GDP	33,0	34,3	33,4	32,5	30,1	29,9	29,7	29,9	2007Q1 (ytd)
o/w non-interest	30,6	31,5	29,0	26,5	24,9	25,3	25,2	25,6	2007Q1 (ytd)
interest	2,4	2,8	4,4	6,0	5,2	4,6	4,5	4,3	2007Q1 (ytd)
Primary balance/GDP	-1,0	-0,9	0,4	3,5	4,1	3,9	3,5	3,2	2007Q1 (ytd)
Gross debt/GDP	34,8	42,1	82,7	96,5	85,8	71,3	61,7	61,8	2007Q1 (ytd)
Gross debt/Revenue	117,4	137,8	280,7	321,9	296,3	243,8	214,3	215,5	2007Q1 (ytd)
External debt/GDP	26,4	28,1	62,9	78,4	69,3	56,1	47,8	48,5	2007Q1 (ytd)
External debt/Gross debt	76,0	66,6	76,1	81,2	80,8	78,6	77,6	78,4	2007Q1 (ytd)
Foreign currency debt/Gross debt	76,0	66,6	76,1	79,6	76,9	75,3	73,1	73,9	2007Q1 (ytd)
Interest Payments/Revenue	0,1	0,1	0,1	0,2	0,2	0,2	0,2	0,2	2007Q1 (ytd)

Public Sector

Overall balance/GDP	-3,8	-4,0	-4,1	-2,9	-2,0	-0,8	-0,6	-1,0	2007Q1 (ytd)
Primary balance/GDP	-1,2	-1,1	0,3	3,3	4,0	3,9	3,8	3,3	2007Q1 (ytd)
Gross debt/GDP	45,5	54,3	92,6	108,5	100,6	83,7	70,8	72,2	2007Q1 (ytd)
Net Debt/GDP	30,0	35,5	65,5	73,6	68,8	53,4	47,2	46,2	2007Q1 (ytd)
Gross External Debt/GDP	30,3	31,4	67,5	85,3	77,3	61,2	48,2	48,8	2007Q1 (ytd)
External Debt Service/International Reserve Assets			119,2	66,7	52,2	55,2	152,5		