Uruguay Debt Report

A quarterly report issued by the Debt Management Unit October 2012

Executive

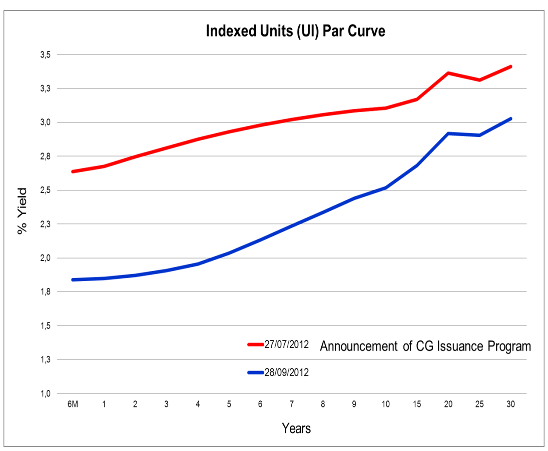
The Central Government restarts its issuances in the domestic market in local currency to further improve the local debt market consistent with the Financial Strategy present in the Annual Budget Law ("Rendición de Cuentas").

In July 2012, the Central Government announced an issuance program for the next six months for the domestic market. The main objectives of the Program are to improve efficiency in local market and secondary market activity in government securities. The Program includes issuances in local currency for 3 years for nominal pesos, 5 and 10 years for instruments linked to CPI, that are points of reference in each curve. The government reiterates its commitment to continue building benchmark bonds in the domestic market.

In August, the Central Government completed its first issuance in the local market under the new Issuance Program. The Republic issued the equivalent of USD 40 million for the new 3 years nominal peso Notes due in 2015. The Note with a coupon of 10.25% was issued at an average yield of 9.95%. The Government received orders for a total amount of USD 180 million equivalents, 4.5 times oversubscribed. Its second auction for this instrument was also successful; the demand was near USD100 million, more than two times the amount being auctioned. The Government accepted near USD40 million, at an average yield of 10.08%.

Regarding the CPI Curve, in August, the Government issued a new 5 years CPI Treasury Note with maturity in 2017 (Series 18), that pays an annual interest rate of 2.25%. The USD80 million issuance was priced at an average yield of 2.21%, quite above par price. It is worth noting that the issuance reached a demand of USD200 million equivalent, 2.55 times the offer.

The new 10 years CPI Treasury Note, with a maturity in 2022 (Series 19), was placed in September for an amount equivalent to USD 40 million, and pays a coupon of 2.50% annually. Investors received a yield to maturity of 2.44%, representing the lowest rate paid by the Government in 10 year CPI issuances. The Government received orders for a total amount of USD 80 Million equivalent, near twice the amount auctioned.



It should be noted that for the issuances in indexed units, these coupons are record lows. Previous 5 years UI Series were: Series 1 (6.0% coupon), Series 3 and 4 (5.0% coupon), Series 5 (4.25% coupon), Series 7 and 8 (3.50% coupon), Series 9 (4.75% coupon), Series 11 and 15 (4.0% coupon) and Series 17 (2.75% coupon). For 10 years UI Series previous issuances were Series 2 (7.0% coupon), Series 10 (4.25% coupon) and Series 14 (4.0% coupon). Likewise, and after two months since the beginning of the program, UI yields have recorded further compression. Within the maturities auctioned, UI yields registered a decrease of 89 basis points (from 293 bps to 204 bps) and 59 basis points (from 311 bps to 252 bps) for 5 and 10 years respectively, while 3 years Nominal Peso yields dropped 21 basis points (from 1043 bps to 1022 bps).

Uruguay to join benchmark index for the High Grade World

On July 31st Moody's Investors Service upgraded the Uruguay local and foreign-currency bond ratings to "Baa3" from "Ba1"[1], joining S&P, which has rated Uruguay at "BBB-" an investment grade rating. With two investment grade ratings, Uruguay USD-denominated sovereign debt will qualify for other investment grade indices such as the Global Aggregate, US Aggregate, and USD credit Indices according to Barclays index rules. Four sovereign USD global issue bonds (USD4.7 billion amount outstanding, USD7.1 billion market value) enter in the Global Aggregate Index, representing 0.02% of the index market value as of October 8, 2012. Index funds use this index as benchmarks, such as Vanguard Total Bond Index Fund and Fidelity US Bond Index Fund.

[1] *See Uruguay in Focus October 2012 for more details*.

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
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
% 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%
Tax Revenues /Amortization Payments	1,4	2,6	1,6	6,0	4,6	17,9	7,6	6,8	4,0	4,4	4,3 (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 (4)
Interest Rate Risk											
% debt that refixes rate in one year	32%	34%	22%	18%	20%	11%	15%	7%	6%	8%	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
Duration (years)	5,6	8,0	8,9	10,5	9,9	10,3	10,4	10,2	9,9	9,2	9,3
% Debt with Fixed Rate	77%	78%	82%	83%	81%	91%	88%	94%	94%	94%	95%
% Debt with Floating Rate	23%	22%	18%	17%	19%	9%	12%	6%	6%	6%	5%
Foreign Currency Risk											
% debt in Local Currency	11%	11%	15%	26%	28%	31%	34%	49%	53%	50%	53%
% debt in Foreign Currency	89%	89%	85%	74%	72%	69%	66%	51%	47%	50%	47%
Debt Composition by Instrument											
Loans	44%	40%	18%	17%	19%	21%	19%	15%	14%	14%	14%
Bonds	56%	60%	82%	83%	81%	79%	81%	85%	86%	86%	86%
Debt Composition by Jurisdiction											
Local Market	22%	22%	23%	21%	16%	16%	18%	25%	29%	27%	29%
External Market	78%	78%	77%	79%	84%	84%	82%	75%	71%	73%	71%
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	6,3	6,4
Units Linked to CPI	7,1	5,4	5,3	4,4	4,3	4,3	4,3	4,1	4,0	4,0	4,0
Uruguayan Pesos								10,6	10,2	10,2	9,6
Euros	6,9	6,9	6,9	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	1,9	1,9	1,9	1,9

(1) Average time to Maturity

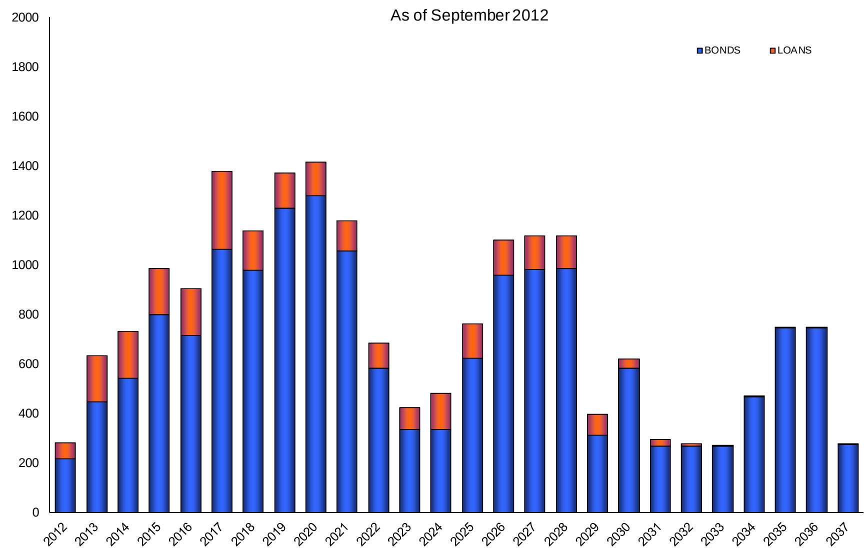
(2) Average time to Refix

(3) 12 month period ended Aug 2012

(4) Amortizations of the next 12 months starting in Aug 2012

Central Government Debt Profile

USD Million



Central Government Flow of Funds

USD Million

	2011	2012	2013
USES	**3976**	**2150**	**2013**
Interests Payments	1170	1227	1314
Amortizations	2736	624	649
Loans	457	191	188
Bonds	2280	432	461
Others	69	299	49
SOURCES	**3976**	**2150**	**2013**
Primary Surplus	884	350(1)	550(1)
Multilaterals Disbursements	237	191	188
Issuances	4673	1543	1200
Others	119	93	214
Use of Assets*	-1937	-27	-140

***Positive indicates a reduction in reserves**

(1) Source: Macroeconomic and Financial Advisory Unit

Source: Debt Management Unit

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