

Doing business between United Kingdom and Uruguay

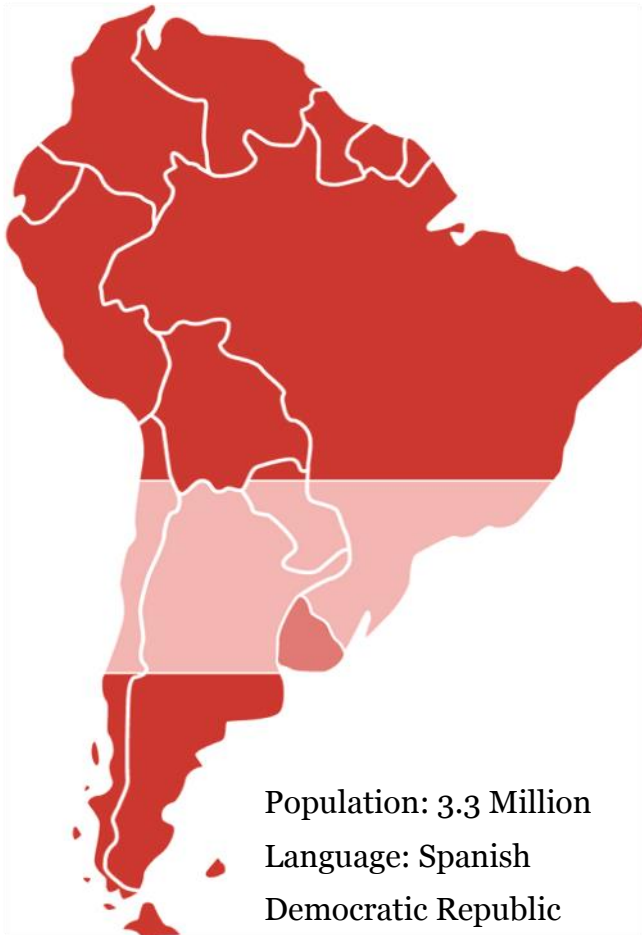
April 2014

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Uruguay profile

Overview of Uruguay



- Strategic location in MERCOSUR and Southern Cone.
- Strong democratic tradition, with social, political and economic stability.
- High level of education, life quality and security.
- Pro-business legal framework.
- International financial marketplace: banking secrecy protected by law.
- Free capital and dividends remittance (exchange of foreign currency, transfer and/or repatriation).
- Preferential tax regimes.

International rankings

Ranking	Uruguay in South America	Uruguay in the world
Democracy Index (Economist Intelligence Unit, 2012)	1	18
Low Corruption (Transparency International, 2012)	1	20
Economic Freedom (Heritage Foundation, 2013)	2	36
Global Peace Index (Institute for Economics & Peace, 2013)	1	24
Political and Economic Transformation (Bertelsmann Foundation, 2012)	1	4
Business Climate Index (Getulio Vargas Foundation & IFO, April 2012)	2	-
Quality of Living (Mercer Quality of Living City Ranking, 2011)	1	77
Human Development Index (United Nations Development Program, 2012)	3	51

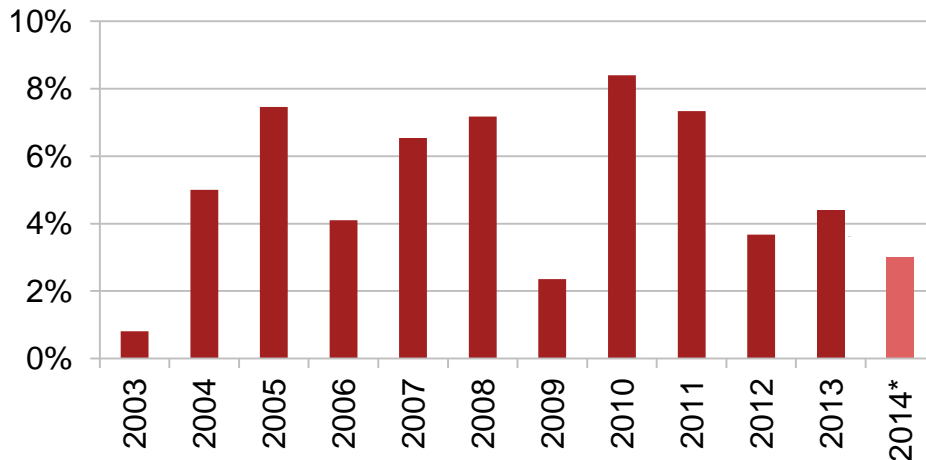
Source: Uruguay XXI

A country that grows, with macroeconomic soundness ...

Uruguay has investment grade status, and an average growth of 5.2% during the last eleven years.

GDP

Annual growth



Investment grade status

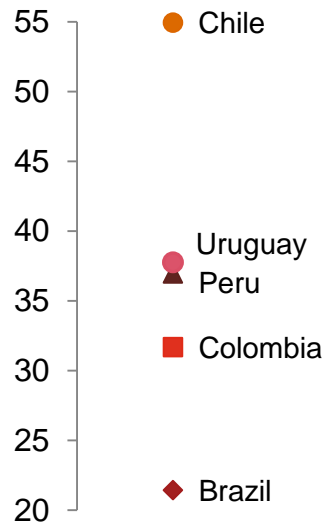
Long-term debt in national currency

	Grade	Outlook
S&P	BBB-	Stable
Moody's	Baa3	Positive
Fitch	BBB-	Positive

Source: Central Bank of Uruguay
(* In-house forecast)

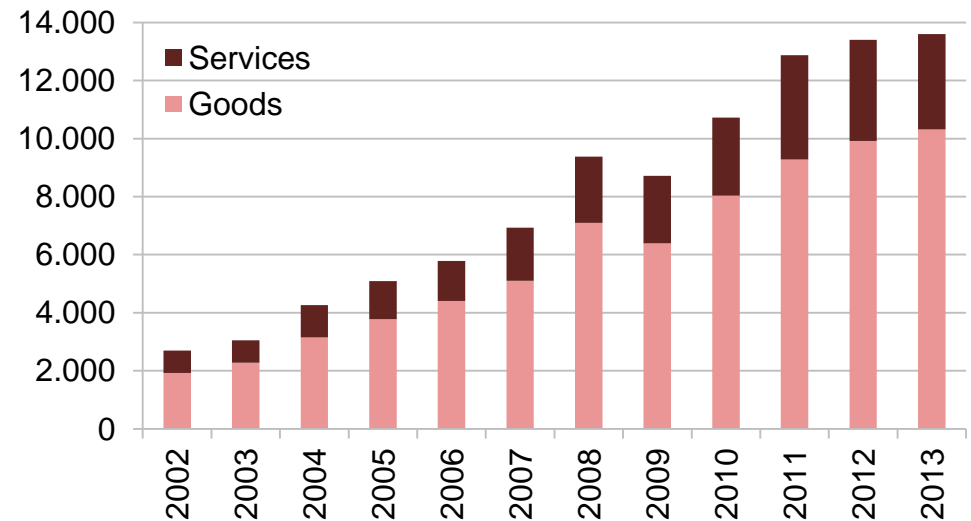
... and trade openness

Trade openness ratio 2012



Source: CEPAL
(Export + Import / GDP)

Exports of goods and services Million USD



Source: Central Bank of Uruguay

Uruguayan exports by sectors of activity in 2013

OTHERS 19%

- Vehicles and other railway or tramway rolling stock 16.9%
- Fish and crustaceans, molluscs and others 7.9%
- Furniture, medical and surgical furniture 7.4%
- Natural or cultured pearls, precious or semi-precious stones, precious metals 7.1%
- Animal or vegetable fats and oils 7%
- Others 53.7%

FOOD PRODUCTS 61%

- Meat and edible meat offal 26.8%
- Meat of bovine animals 23.3%
- Dairy Produce 16.6%
- Cereals 16.4%
- Wheat 5.4%
- Rice 9.2%
- Soybean 33.8%
- Citrus fruit, fresh or dried 1.4%
- Products of the milling industry, malt, starches 4.2%
- Others 0.8%

MANUFACTURE OF LEATHER AND LEATHER PRODUCTS 6%

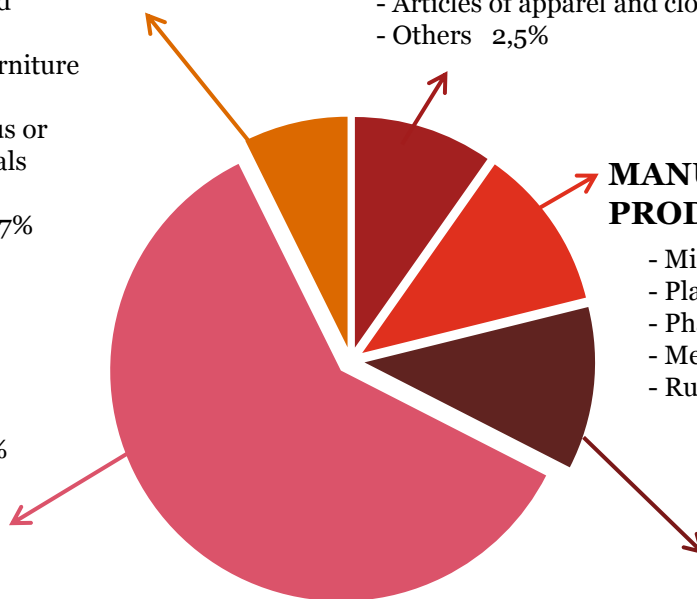
- Hides and Skins and Leather 51.1%
- Wool, fine and coarse animal hair 46.2%
- Fur skins and artificial fur; articles thereof 3%
- Articles of apparel and clothing accessories 0.2%
- Others 2.5%

MANUFACTURE OF CHEMICAL PRODUCTS, PLASTICS AND RUBBER 7%

- Miscellaneous chemical products 16.3%
- Plastics and plastic products 43.7%
- Pharmaceutical products 19.1%
- Medicaments 0.1%
- Rubber and articles thereof 21%

WOOD EXTRACTION AND MANUFACTURE 7%

- Paper and paperboard, articles of paper pulp 13.6%
- Wood and articles of wood: wood charcoal 86.4%
- Wood sawn or chipped lengthwise 9.9%
- Plywood, veneered panel and similar laminated wood 11.6%



International Network

Promotion and protection of investments

The following are some of the countries with which Uruguay has signed treaties to promote and protect investment:

Europe

Spain

Belgium

France

Germany

Italy

Sweden

Switzerland

United Kingdom

Finland

Bulgaria

Czech Republic

Romania

Hungary

Netherlands

Portugal

Poland

Asia and Australia

Australia

Malaysia

Israel

Saudi Arabia

Egypt

India

Iran

China

Korea

Central America

El Salvador

Panama

Nicaragua

North America

United States

Canada

Mexico

South America

Argentina

Brazil

Paraguay

Chile

Bolivia

Venezuela

Peru

Africa

Angola

Uruguayan tax system

- Profits generated abroad from Uruguay and assets located outside the country are not reached by taxes (Principle of territoriality or source - legal entities).
- 0.75% of effective taxation (income tax) on the gross margin of operations (trading) of goods or services abroad.
- **Free trade zones:** total exemption from taxes (services, industrial and / or commercial activities).
- **Free Port Regime:** areas exempt from custom duties as a promotion for regional/global logistic activities
- **Investment promotion law.** Acting under the general system, the Government grants the taxpayer the benefit of taking as payment of income tax a % of amounts invested in a project previously authorized.
- **Temporary admission and drawback for export promotion.**

Regional business platforms



Gateway to MERCOSUR

**280 million
consumers**

Uruguay is an attractive platform for this type of business with a regional/international scope:

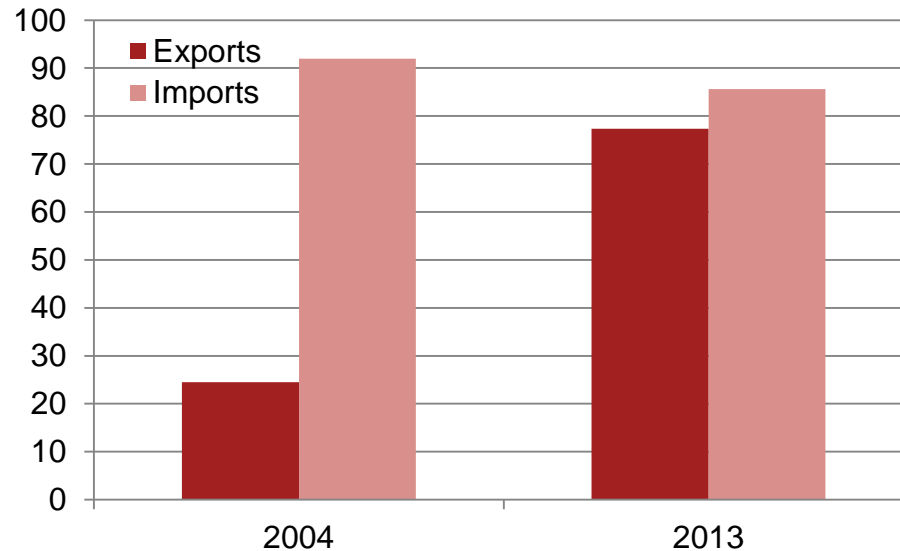
- Logistics hub
- Testing market, with industries of smaller size
- Shared services & contact centers
- IT development and distribution
- Technological and industrial parks
- Finance center

Trade in goods: trends and advantages

Dynamism of UK exports of goods to Uruguay

UK exports to Uruguay tripled in the last decade, almost achieving an equilibrium in the trade balance.

Exports and imports of goods Million USD



Source: PwC based on official trade data from Uruguay
Includes exports from Falkland Islands to Uruguay
Excludes trade from Free Zones

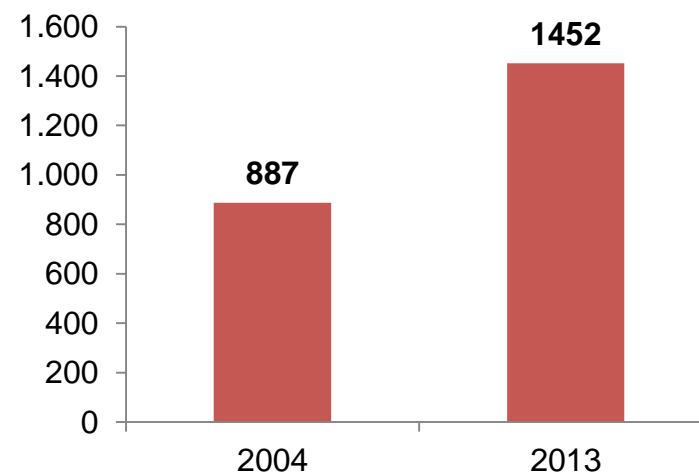
UK exports to Uruguay: a market that diversifies

Major products

Million USD - 2013

Machinery and mechanical appliances	14.9
Vehicles and parts and accessories thereof	13.2
Miscellaneous chemical products	12.7
Beverages, spirits and vinegar	12.3
Pharmaceutical products	6.1
Electrical machinery and equipment	3.5
Optical, photographic, cinematographic instruments	1.5
Hides and skins and leather	0.9
Fertilizers	0.2
Others	12.0
Total	77.3

Exports of goods
Number of items (NCM 10 digits)



730 Uruguayan
companies
imported from UK in
2013

Source: PwC based on official trade data

Uruguay develops new markets in UK

Major products

Million USD - 2013

Meat and edible meat offal	40.2
Wood and articles of wood; wood charcoal	13.7
Edible fruits and nuts	11.6
Wool, fine and coarse animal hair	7.9
Cereals	7.5
Others	4.3
Total	85.1

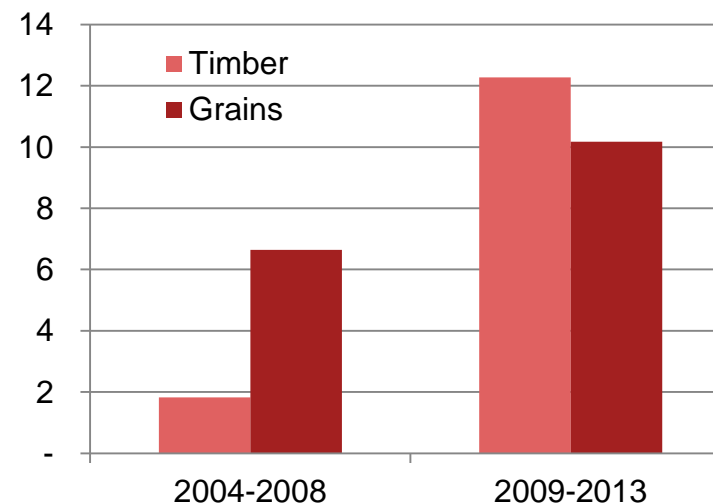
Source: PwC based on official trade data

110 Uruguayan
companies
exported to UK in 2013

UK imports of timber and grain from Uruguay gained dynamism.

Uruguayan exports to UK

Million USD



Opportunities in the trade of goods for UK

The main products exported by UK, are at the top of Uruguayan imports

Main products exported by UK

Machinery and mechanical appliances
15%

Mineral fuels, mineral oils and
products of their distillation 13%

Vehicles and parts and accessories
thereof 11%

Pharmaceutical products
7%

Electrical machinery and
equipment 7%

53% of exports

Main products imported by Uruguay

Mineral fuels, mineral oils and products of
their distillation 23%

Vehicles and parts and accessories
thereof 10%

Electrical machinery and
equipment 8%

Plastic products 5%

Chemical products
3%

Fertilizers 3%

52% of imports

Opportunities for UK

In some cases, the complementarity is already being exploited...

Medicines
Chemicals
Alcoholic beverages

Complementarity commercial index:

Degree of linkage between UK's export supply and UY's import demand

$$[(X_{\text{UK, product "a"}} / X_{\text{UK, total}}) * (M_{\text{UY, product "a"}} / M_{\text{UY, total}})] * 100$$

Indicator tend to 0 as UK does not export the same goods imported by Uruguay. The higher the value, the greater the complementarity between the two countries.

Opportunities for UK

... for other items, complementarity has not been fully exploited yet, but could be developed under a Free Trade Agreement between MERCOSUR and EU.

Complementarity index above 10%

Petroleum oils

Vehicles for transport of
people

Complementarity index above 1%

Cellular devices

Medical devices

Plastic products

Sweetened water

Opportunities for UK

Vehicles for transport of people

Uruguayan imports of vehicles augmented significantly in the last decade, from USD 50 million in 2004 to USD 415 million in 2013.

In 2013, Uruguay imported these vehicles from Brazil, China, Mexico, Argentina and South Korea.

**Free Trade Agreement
Mexico and Uruguay:** exports of vehicles and auto parts increased from almost 0 in 2003, to USD 80 million in 2013

Opportunities for UK

Other potential opportunity to strengthen bilateral trade would involve **machinery for the primary sector**, in particular, for agriculture...

	2009	2010	2011	2012	2013
Combines, presses, lawn mowers	49.3	73.4	70.1	78.7	89.3
Milking machines and dairy machinery equipment	4.5	5.4	3.1	6.4	12.4
Other machinery for agricultural, horticultural, forestry or bee.	9.7	17.2	23.3	16.9	34
Tractors	52.4	88.4	115.1	117.2	139.9
Total	115.9	184.4	211.6	219.2	275.6

Uruguayan imports of this machinery increased in the last five years, being **Brazil, United States, Argentina and Mexico** the main suppliers.

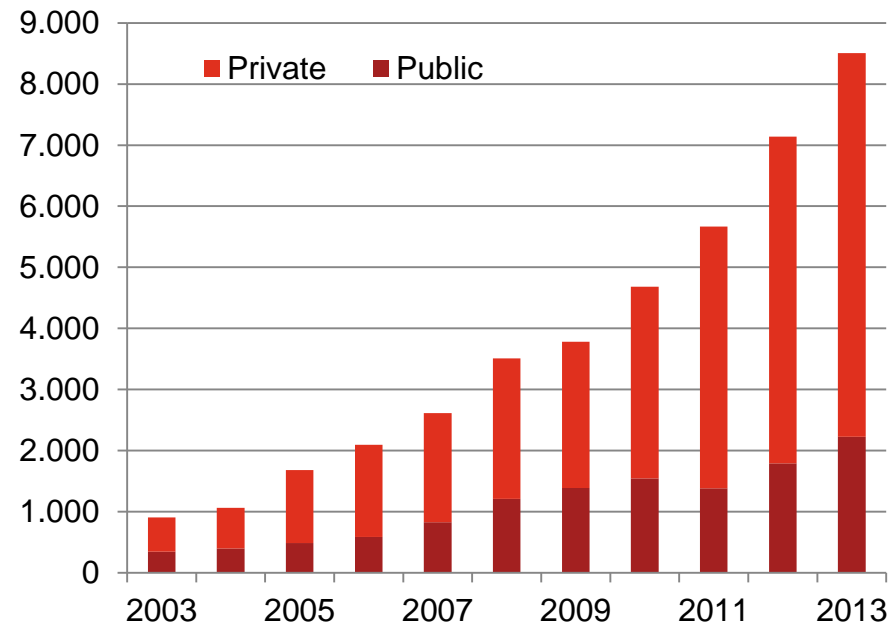
UK is one of the 10 main suppliers of this type of machinery

Opportunities for UK

Machinery and equipment for construction:

conveyors, trucks, forklifts, as well as materials such as ceramics, fittings, electrical equipment.

Public and private construction
Million USD

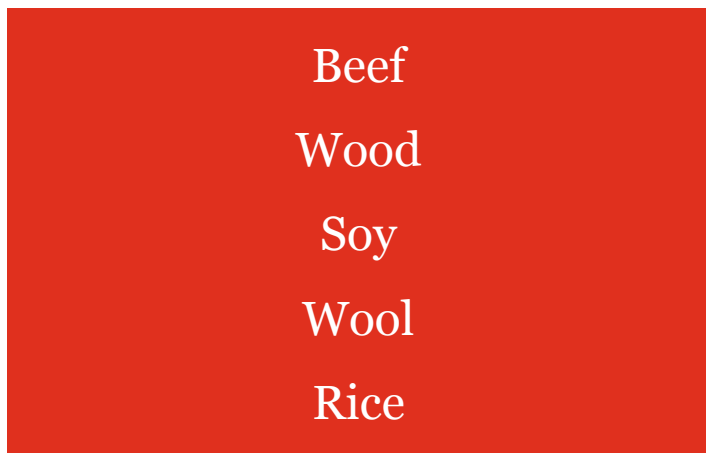


Source: Central Bank of Uruguay

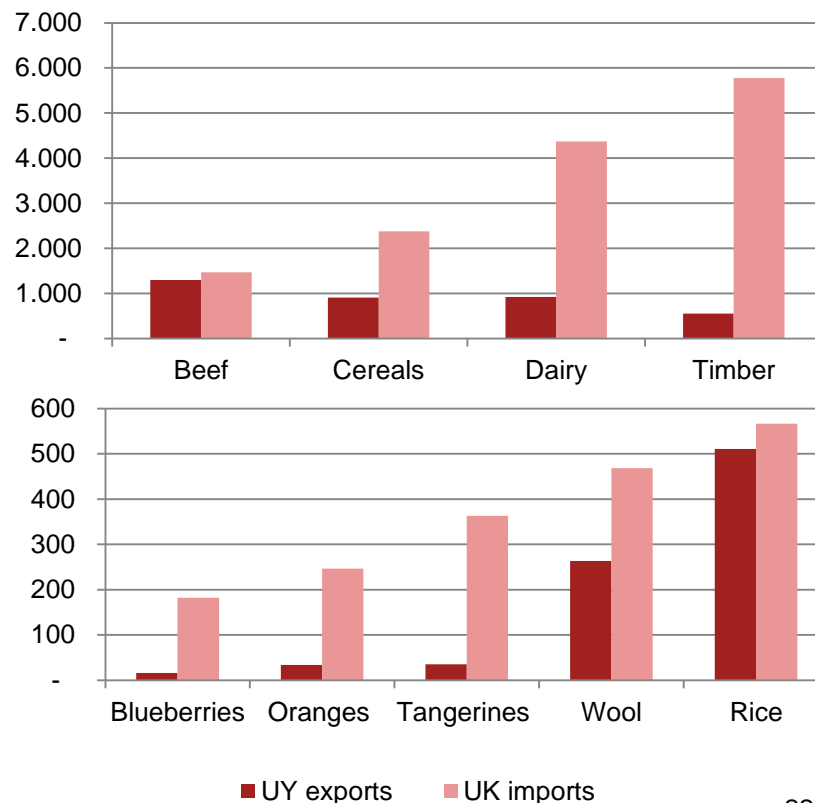
Opportunities for Uruguay

In the case of food and wood, further development opportunities exist in a market of enormous dimensions.

Complementarity already exploited



UK imports and UY exports
Million USD



Opportunities for Uruguay

UK is a market with high-income consumers, and demanding in terms of quality and differentiated products, friendly to the environment...

**63.2 million
consumers**

Per capita income:
USD 40,000

Food and Beverages:
third group most imported
by UK (about 10%-
USD 60,000 million)

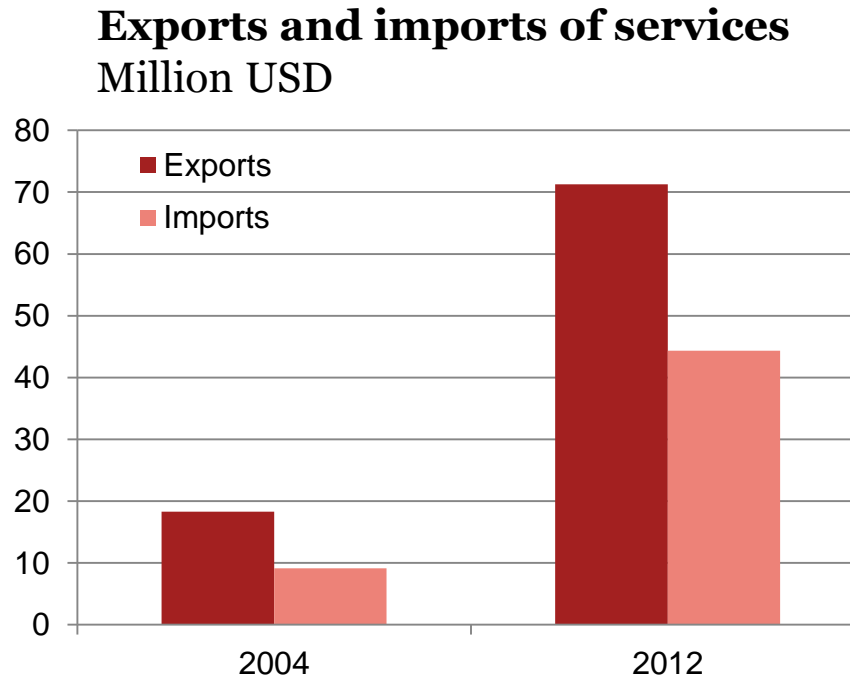
Main Non-UE suppliers of Meat for UK
Million USD and market share - 2013

	Value	Market Share
New Zealand	514	50%
Australia	149	14%
Brazil	157	15%
Chile	50	5%
Uruguay	44	4%
Others	114	11%
Total Non-UE	1,027	100%

Trade in services: prospects for professional and technical support

Dynamism of UK exports of services to Uruguay

UK exports of services to Uruguay quadrupled in the last decade, reaching a close level to exports of goods and increasing the trade surplus.

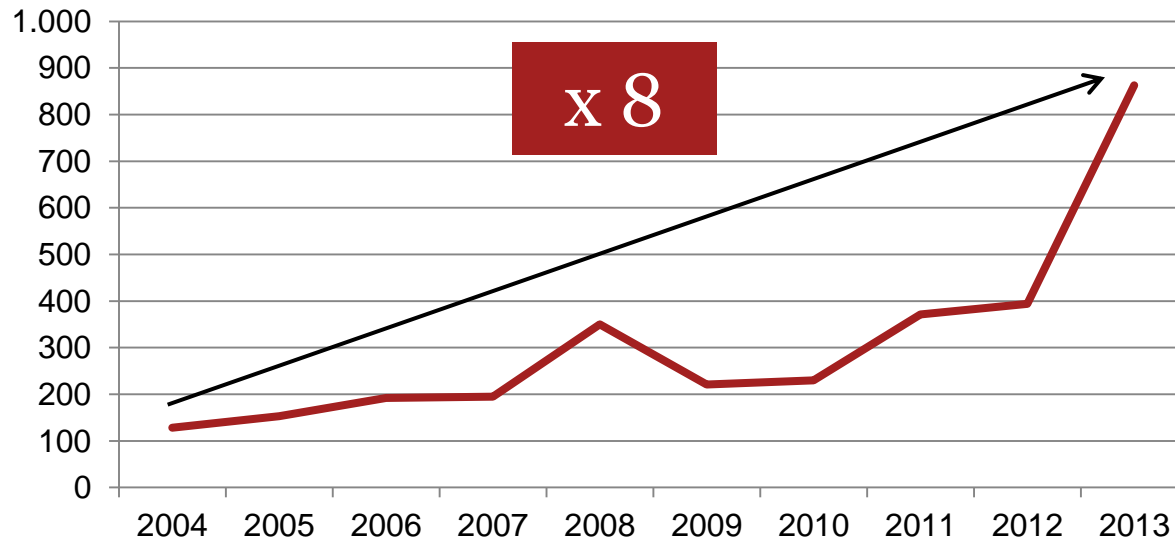


Source: UKTradeinfo

Opportunities for UK Professional and technical services

Megaprojects increased demand for more technical expertise

Uruguayan imports of “professional and technical services”
Million USD



Source: IMF
Excludes financial and IT services

Investment Opportunities

Sectors with potential demand: infrastructure

Transport and logistics are areas of priority for the government. The government prioritizes investments in the form of Public Private Partnerships (PPP).

Potential projects to invest:

- Railways
- Ports
- Highways
- Social Infrastructure (jails and hospitals)

Uruguay's infrastructure requirements until 2030

Energy: USD 20,500 million

Highways, rail, port of Montevideo: USD 1,300 million

Source: "2030 Uruguay infrastructure", Javier de Haedo and others

Deepwater Port:
USD 1,100 million

Sectors with potential demand: energy

It is an objective to diversify energy supply and increase energy independence

Energy projects:

- Biomass
- Wind power
- Solar
- Hydrocarbon exploration (oil)
- Other: Liquefied Natural Gas plant, plant of biodiesel and ethanol, Combined cycle plant

**3rd round for oil
exploration:
late 2014 - early 2015**

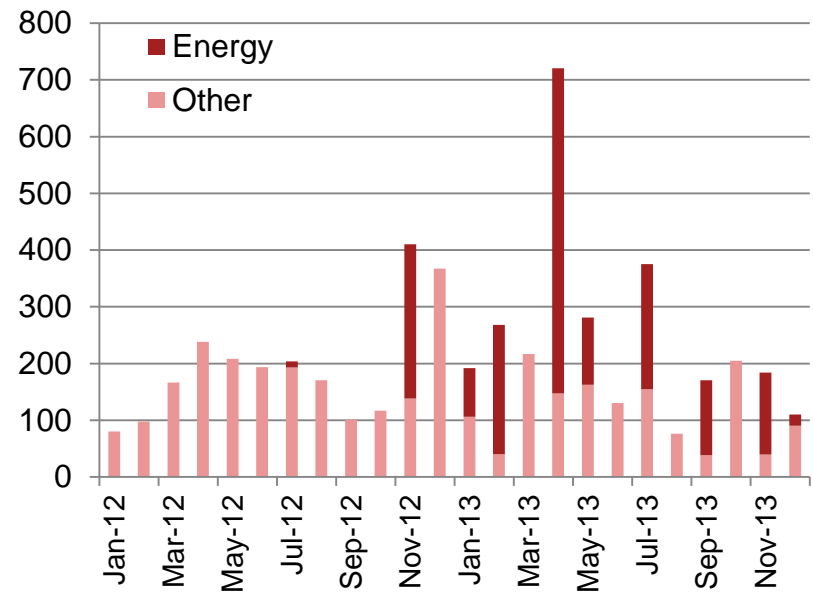
Sectors with potential demand: energy

Current energy matrix:
40% renewable



Target energy matrix:
50% from renewable sources, 25%
non-traditional renewable sources
(biomass, wind)

Energy projects with tax benefits
Million USD

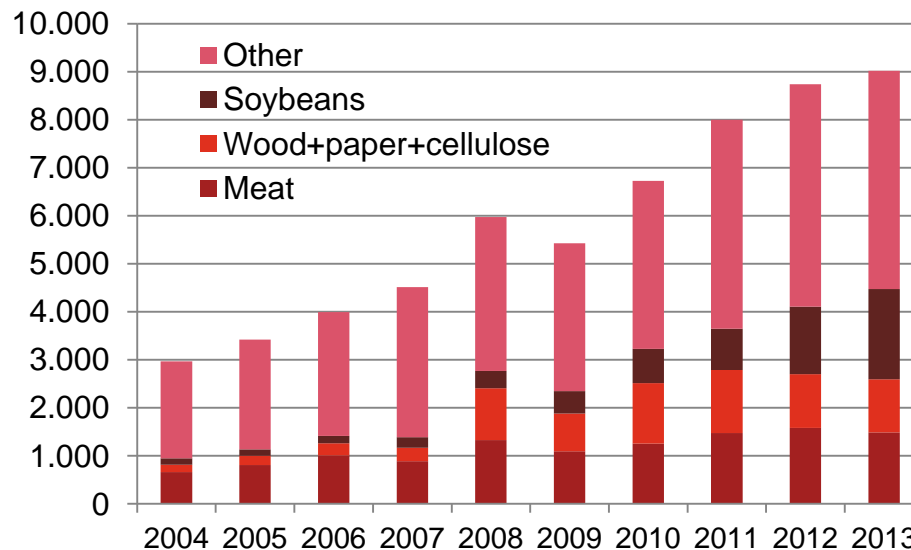


Source: MEF

Sectors with potential demand: primary sector and agribusiness

Opportunities for institutional investments (investment funds in retail, pension funds in forestry).

Uruguayan exports
Million USD



21% soybeans
17% meat
12% forestry

Source: PwC based on official trade data

Opportunities for UK

Technical and British companies stand out in the following areas:

- Oil & Gas
- PPP structuring services and infrastructure plans
- Social infrastructure: construction, maintenance and equipment of hospitals and prisons
- Development of infrastructure funds and energy (M&A in the wind and solar sector)

... all areas with high potential for growth and development in Uruguay

Synthesis and conclusions

Opportunities

- Bilateral trade opportunities exist to exploit and enhance for both countries.
- For **UK**, support of technical services and investments in infrastructure and energy, in a context in which Uruguay applies a strategy of improvement of infrastructure and logistics as well as it changes the energy matrix giving non- traditional renewable energies (solar, eolic, biomass) more importance.
- Besides, with the development of agriculture and its mecanization, there would be potential opportunities for exporting machinery to be used by the uruguayan primary sector. Moreover, there would be further opportunities for exporting “heavy” machinery destined to the sector of construction.

Opportunities

- The eventual signature of a Free Trade Agreement between MERCOSUR and the European Union would strengthen opportunities for exports of vehicles for transport of people, considering the successful experience that Mexico had after signing a Free Trade Agreement with Uruguay in 2003.
- For **Uruguay**, opportunities for local partners with knowledge of the domestic market.
- Also opportunities for "natural" food and manufactures environmentally friendly, for a client with high purchasing power and increasingly demanding these products.

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