



Uruguay XXI

INVESTMENT AND EXPORT
PROMOTION AGENCY

Business environment

Investor Guide



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July 2014

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1. Business environment

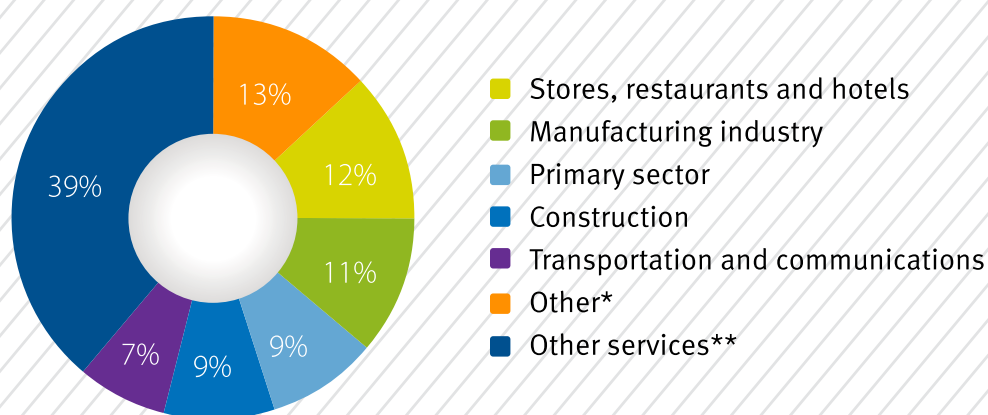
Main features

- ›› Social, political and economic stability
- ›› Free exchange rate
- ›› Free transfer of capital and profits
- ›› Opening of foreign trade
- ›› MERCOSUR integration and trade agreements with other countries

1.1 Economic performance and structure

The Uruguayan economy is small and open, with growing projection towards the regional and international external market, where exports play an important role for local productive development. The sector with the largest participation in the Gross Domestic Product (GDP) is the services sector, within which trade, transportation and communications, financial services, insurance, real estate and other corporate services stand out.

GDP per industry (2013)



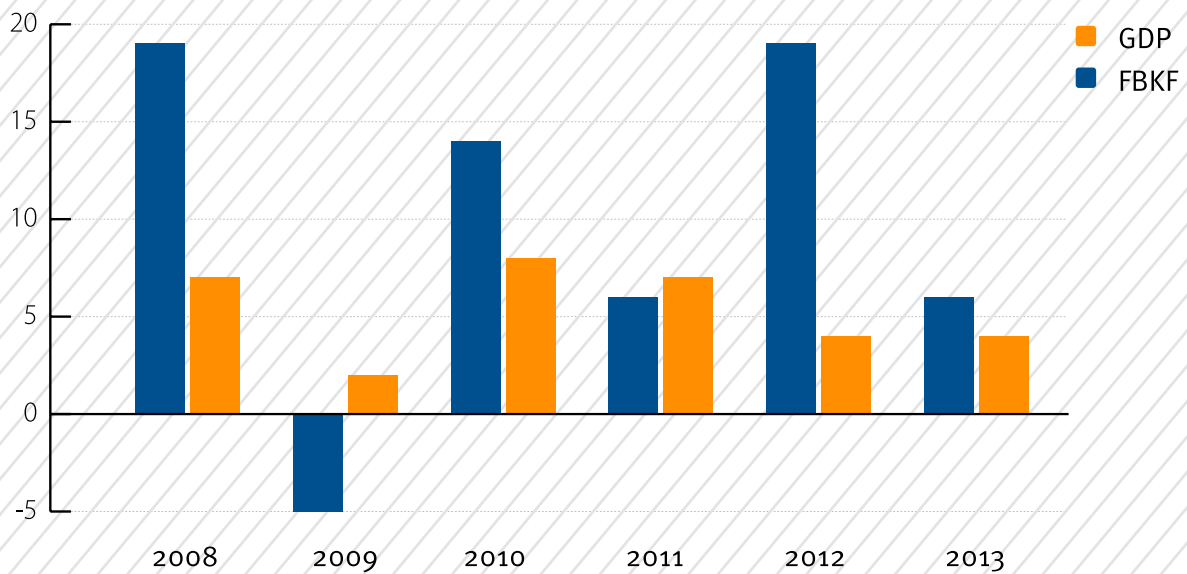
(*) Power, gas and water supply and taxes, less subsidies on products

(**) Financial brokerage, real estate, corporate and rental activities; public administration and defense; statutory social security plans; education; health services, personal service activities and private household services included.

Agribusiness production accounts for 8% of the GDP. However, its relevance for the economy is largely superior to such percentage since it provides the biggest part of raw materials for the manufacturing industry, one of the greatest exporter sectors. The manufacturing industry accounts for 11% of the GDP and food, leather, textiles and forestry products sub-sectors are the most excelling ones due to their importance and contribution to exports.

By virtue of the favorable external juncture and the application of a sensible economic policy at national level, Uruguay has achieved a sustained economic growth with an annual cumulative rate of 5.6% in the 2005-2013 period. The GDP measured in current dollars in 2013 amounted

Real GDP growth and investment (%)

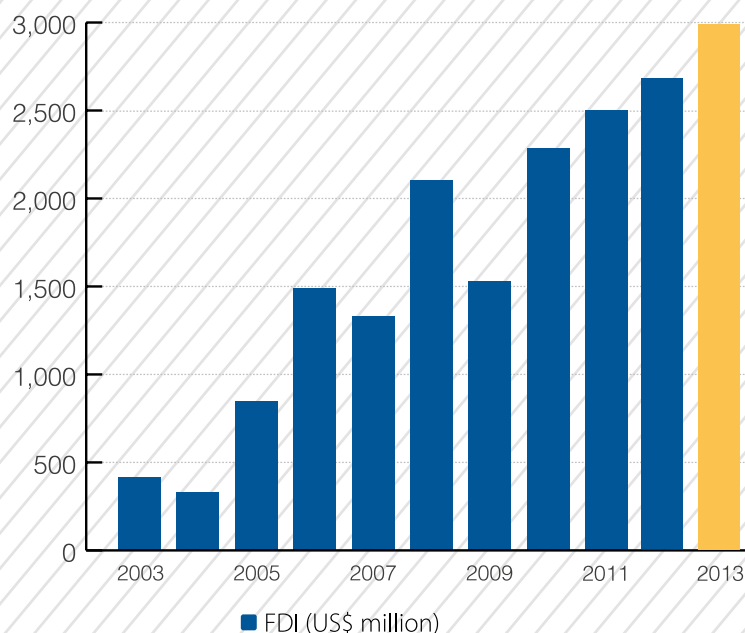


Source: Central Bank of Uruguay

to US\$ 55.708 millions, with a GDP per capita of US\$ 16.421. Macroeconomic stability and the establishment of a stable institutional framework with clear rules for investors and respect for agreements, added to an attractive promotional regime became an important factor for the boost of productive investments in the past years. Fixed gross investment has grown at a very good pace with double-digit rates, accompanied by a major consumption expansion. Therefore, investment behavior indicates that the product expansion has solid foundations. Gross capital formation amounts in the last years to a figure well above the GDP increase, which entailed a sustained rise in the economy investment rate.

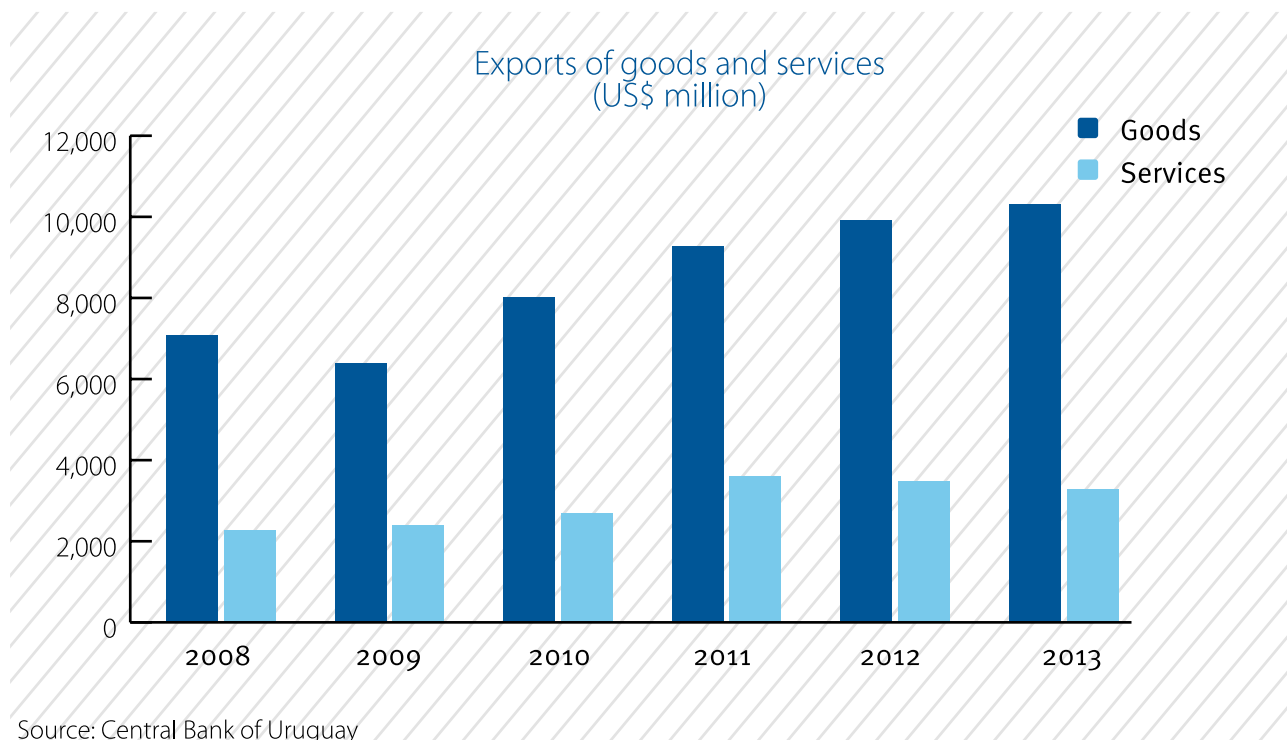
At the same time, over the past years the country has been receiving an important flow of direct foreign investment in several sectors of activity. A long tradition of legal certainty and contractual observance as well as tax benefits for new investments and the country's strategic

Foreign Direct Investment



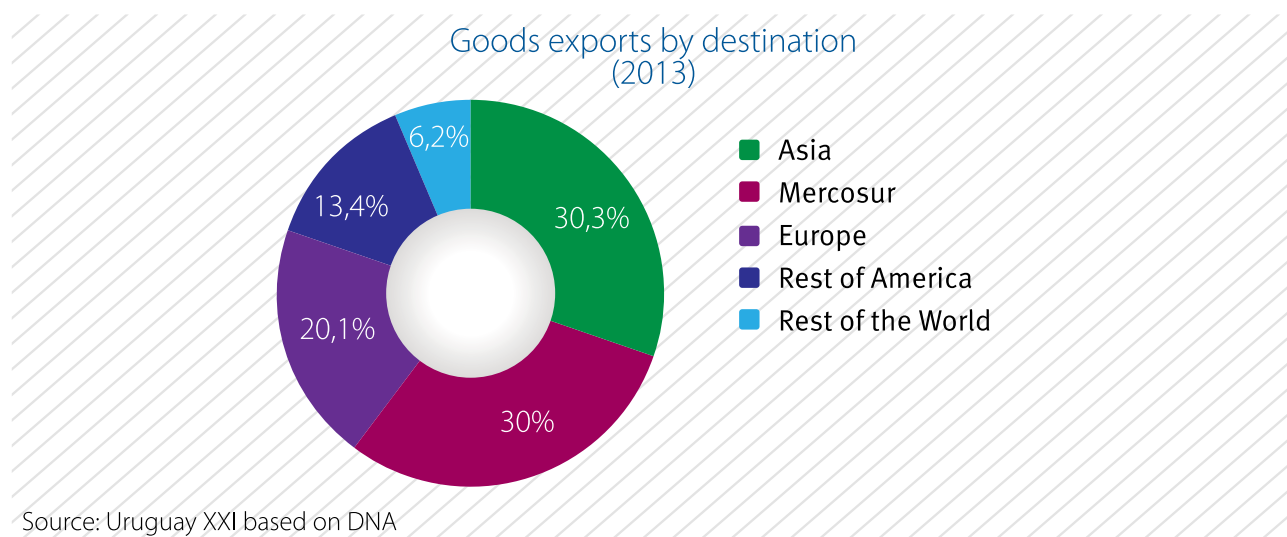
Source: Central Bank of Uruguay

geographical location explain why several international investors choose Uruguay. On the other hand, prices show a stable behavior with one-digit inflation rates. Inflation's



downward trend is expected to continue as a result of an inflation target control policy adopted by the Central Bank of Uruguay in 2004. The deepening in the economic opening process brought about an increase in foreign trade-related relevance to GDP, with a sustained growth of goods and services export, a greater diversification of destinations and reaching record levels year on year. The main export products are meat, leather, textiles, cereals, dairy products and other agricultural based-products; while tourism and logistics are the main exported services given the geographically strategic position of Uruguay in the region.

The main imported products are oil, capital goods and intermediate goods. Consumer goods account for 20% approximately of goods imports. Goods exports have registered a healthy diversification over the past years. To a large extent, this is due to a market open-up policy for placing goods abroad implemented by governments on a successive basis.



1.2 Economic Policy

Liberalization and open-up policies steadily applied for over twenty years and the strict compliance with Uruguay's international obligations have enabled the country to keep a favorable position in the international markets and develop a widespread reputation as regional financial center with a large history of freedom and security.

Uruguay offers free movement of capital, foreign currency and gold from and to other countries and a free convertibility exchange system for national currency.

The open financial system, the liberalization of international financial transactions and the bank secrecy guaranteed by law have turned Uruguay into one of the largest financial center of the region. About 69% of deposits in the financial system are in US dollars, 21% of which belong to non-residents.

Economic policy stability, despite Administration changes inherent in the democratic regime, has been a determinant factor for the economic performance and the achievement of the current international position. In such sense, the maintenance of a prudent macroeconomic policy stands out, which combines a tax policy based on the achievement of primary surplus consistent with public debt sustainability, with a monetary policy oriented towards price stability which contributes to growth objectives and employment generation.

Public revenue mostly comes from tax collection under the responsibility of the Tax Administration Office (DGI), although public companies' surplus also contributes. Decisions on public expenditure are taken according to the Budget Law approved during the first year of government and the subsequent annual account reporting. Discipline in tax issues is written on the existence of a net indebtedness annual variation cap law which indirectly sets a restriction to such tax unbalances as incurred by the government.

1.3 Trade Policy

Uruguay was one of the first Latin American economies which evolved towards open and unrestricted international trade.

In 1991, Uruguay signed a treaty with Argentina, Brazil and Paraguay which established the Southern Common Market (MERCOSUR), which accelerated the openness of the Uruguayan economy, establishing a progressive integration process from the Free Trade Area until constituting a Common Market. In 2006, Venezuela joined the MERCOSUR and on August 12, 2012 became a full member.

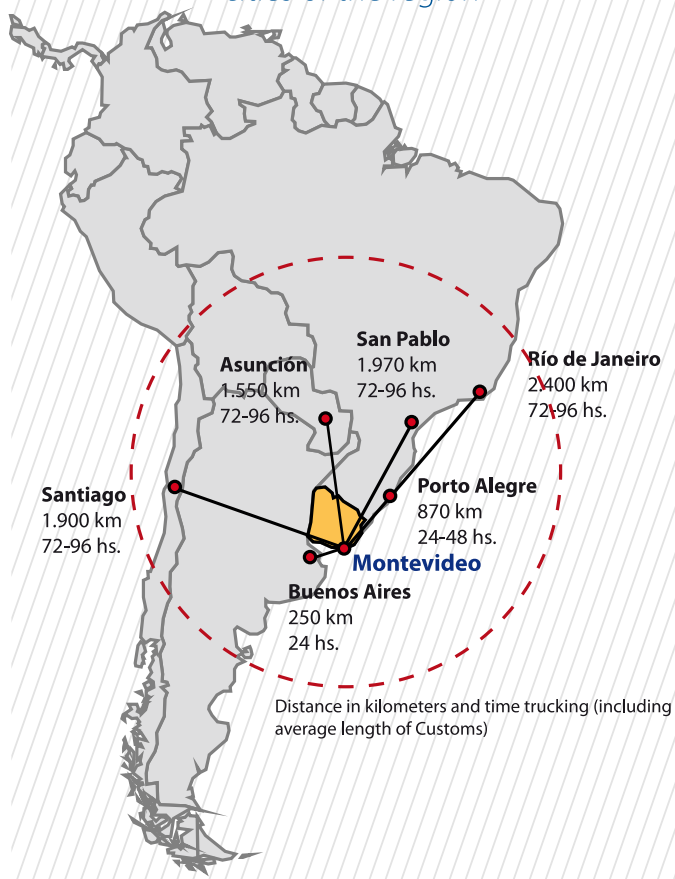
MERCOSUR treaty provides for the free movement of goods, services and productive factors among the signatory countries through the progressive elimination of tariff and non-tariff barriers. At the same time, there exists a Common External Tariff (AEC for its Spanish acronym) agreed to by the four signatory countries for almost every good introduced into the area. The AEC currently ranges from 0% to 35%. About 30% of AEC's rates are less than or equal to 4%, and 7% are greater than 20%. The highest tariffs apply to textile, clothing and footwear.

Apart from the aspects regarding the Common External Tariff, its exceptions and adaptations per country, MERCOSUR has taken decisions regarding the origin regime, the treatment of unfair domestic trade practices in the extended market, bases for competition defense, public

policies conditioning competitiveness, elimination or coordination of non-tariff restrictions to trade and customs policy rules. Furthermore, certain bases have been agreed to in order to coordinate and reconcile macroeconomic policies regarding foreign trade, agriculture, industry, taxation, changes, transportation and other issues.

It is important to highlight that MERCOSUR offers to the installed companies and those starting operations in Uruguay the access to a market of 276 million people, with a GDP of US\$ 3.3 billions, which accounts for the fifth world economy.

Distance between Montevideo and the main cities of the region



Uruguay is located in a privileged area within MERCOSUR since it is in the center of the most populated area with the highest income level. Within a radius of 1,500 km from Uruguay, 90 million inhabitants are concentrated in large industrial and agricultural development areas.

1.4 State role in business

In Uruguay there are some services provided by state companies on a monopoly basis. Such is the case of the import of oil and oil by-products for fuel refining (except for distribution) carried out by ANCAP, the electric power transmission and distribution (except for generation) carried out by UTE, the provision of fixed-telephony services (except for mobile, data and broad band telephony) carried out by ANTEL and the provision of drinking water and clean-up services carried out by OSE.

On the other hand, from the 90s Uruguay has carried out a process of economy deregulation and elimination or partial privatization of other state companies for the purposes of promoting competition and enhancing general welfare. In such sense, some outstanding aspects should be mentioned:

- Application of the concession regime for the performance of public works.
- Alcohol production demonopolization.
- Insurance demonopolization.
- Port reform.
- Social security system reform (with the creation of Administrators of Social Security Savings Funds or AFAPs).
- Promotion of financial resource channeling through the Investment Fund Law, Stock Market Law and Trust Law.
- Promotion and defense of competition.

Through the public works concession regime, the private sector builds and then exploits public

works such as roads, ports and airports, under a regime governed by special laws and regulations and by virtue of a contract executed with the State.

In the last years, sectors traditionally managed by the State have been deregulated and closed to private competition: production of alcohol and distilled beverages, insurance market, social security system, electric power generation. A factor which significantly contributed to the economy growth was the competitive development in the mobile phone market.

In 1992, the Port Law was approved enabling the free circulation and tax exemption to goods in transit. In 1996, the operation of the Uruguayan stock market was regulated, incorporating modern rules and principles already experienced in the main financial markets. This gave rise to a significant growth of the corporate debt securities market, in particular, long-term negotiable bonds. Also, the Investment Fund operation was regulated.

In 2007, the Law on Promotion and Defense of Competition was approved. Its purpose is to promote consumers' welfare through the promotion and defense of competition, the incentive to economic efficiency and the assurance of freedom and equality in companies and products' access to markets. The law acts by resisting anticompetitive practices and promoting competition through the establishment of transparent rules and an appropriate penalty regime.

1.5 Clear rules

The Uruguayan political system has three majority political parties which have taken turns in the government and no major changes in general economic principles have occurred. Another special characteristic of the country is that there is strong respect for clarity and transparency in contract observance. This is regarded by investors as a distinguishing feature when it comes to choosing Uruguay, as a mainstay for trust generation in business environment. According to the 2013 Corruption Perceptions Index prepared by Transparency International, Uruguay is in the 19th place among the 175 countries and in the 1st place in South America as a reliable country.

In Uruguay there is no discrimination in the treatment of national and foreign capital and incentives to investment promotion are available for both. There are no limits for foreign capital endowment in companies either. Foreign investors may carry out any type of activity under the same conditions as local investors. In certain sectors of activity foreign investors can perform activities under a public works concession regime by reason of State's special regulations.

Tax system is also neutral regarding foreign investment. Likewise, it is not necessary to have a previous permit or authorization to make an investment, except for environmental authorization.

The country has an attractive investment promotion regime approved by law. This pool of promotional mechanisms is supported by the legal certainty deriving from the applicable laws currently in force.

Moreover, Uruguayan laws currently in force expressly provide for the existence of bank and tax secrecy.

There are no limits to the transfer of income or capital repatriation and no previous permits are required. The exchange market is free, with no restrictions for the purchase or sale of foreign

exchange and investments may be made in any currency.

In Uruguay, there are international standards applicable to intellectual property in place. Copyright, trademarks and patents are specifically protected by Uruguayan laws. At the same time, according to surveys performed by international organizations, Uruguay is regarded as the country with the highest protection over intellectual property in South America (source: The Global Competitiveness Report 2013-2014, World Economic Forum).

1.6 Government attitude towards foreign investment

Foreign investors may develop any type of activity under the same conditions as local investors. In some sectors of activity specially regulated by the State, foreign investors may develop activities under public works concession regime. In general terms, foreign investment has free access to Uruguay and there are no limits as regards the industries which can be accessed, except for certain restrictions related to the operation of radio and TV stations, fisheries or transport.

Foreign investors may operate in the country by organizing a Corporation (S.A.) –corporate type most frequently used, and they can even own 100% of its share capital. They can also operate through the organization of a Limited Liability Company (S.R.L.) or other types of personal companies made up of partners who may be national or foreign natural or legal persons. Foreign investors may also choose to operate in the country through a foreign company branch. Tax treatment of the different corporate vehicles differs in several aspects, whereby it is convenient to perform a thorough planning in advance for the purposes of choosing the corporate type to be adopted.

Uruguay has traditionally provided a security framework to foreign investors due to the effective validity of law and the economic stability. Besides, it is member of international organizations which foster investment security, such as Multilateral Investment Guarantee Agency (MIGA) and the International Center for Settlement of Investment Disputes, headquartered in the World Bank. On the other hand, Uruguay has signed treaties for the promotion and reciprocal protection of capital investments with several countries, such as the United States of America, Germany, Spain, Portugal, Sweden, United Kingdom, Belgium, Netherlands, Italy, France, Switzerland and Finland.

Foreign investors have the choice of seeking the protection of Law No. 14,179 on foreign investments. This law grants a convertibility guarantee for transfer of revenue and repatriation of capital to investors, generally for a ten-year period, according to the agreement signed between the investor and the government. Due to the freedom existing in Uruguay regarding exchange control, transfer of revenue and repatriation of capital, in practice foreign investors do not use the option of seeking protection of such law.

There are no restrictions for recruiting foreign personnel, except in some particular sectors. Foreigners who are willing to develop activities as dependent workers in Uruguay must carry out a series of processes with the National Migration Office.

Both local businessmen and corporate organizations have a favorable attitude towards foreign investors and businessmen visiting Uruguay. Visitors can also expect a friendly welcome, both from banks and governmental authorities.

The geographical location of Uruguay, between Argentina and Brazil, with its traditional economic and social stability, as well as its role as financial center is an advantage when it comes to deciding on the location of industries which have MERCOSUR countries as consumer market for its products and suppliers of its raw material.

Multinational companies established in the neighboring countries are particularly in a good position to take advantage of the Uruguayan Free Trade Zones.

2. Supporting infrastructure

Main features

- » Social, political and economic stability
- » Free exchange rate
- » Free transfer of capital and profits
- » Opening of foreign trade
- » MERCOSUR integration and trade agreements with other countries

Uruguay offers competitive advantages to investors, among other things, due to its strategic geographic location and an appropriate support developing structure for passenger and merchandise transportation by sea, air and land.

2.1 Transportation system

Because of its geographic location, Uruguay is a permanent link for land and maritime communication between MERCOSUR countries, in particular Argentina and Brazil, a situation which derives from its strategic insertion among the richest and most developed areas of its neighboring countries.

Uruguay has developed competitive advantages in the provision of services. In particular, its transportation system has existing and developing infrastructure which enables it to meet the demand for transportation of the strong exchange flows between MERCOSUR member countries and the particular requirements of the regional countries for their international exchanges.

Uruguay's transportation infrastructure enables it to have its territory fully interconnected with the region with no limitations whatsoever.

Road transportation

The main road network, paved and appropriate to the current land organization model, is the heaviest in Latin America and the Caribbean, with 50 km of paved road for every 1,000 km² of area.

International freight transportation has no limits through several border crossings between Uruguay, Argentina, Brazil, Chile and Paraguay, with non-restricted fleet available.

Domestic passenger transportation is chiefly carried out by bus under the responsibility of private companies on a "regulated competition" basis, which has allowed a solution with high quality and efficiency standards.

Interconnections with neighboring countries are performed through several border crossings: there are three bridges on Uruguay River in the cities of Salto, Paysandú and Fray Bentos connecting with Argentina, while roads connecting with Brazil meet in the cities of Artigas, Rivera, Río Branco and Chuy.

Rail transportation

The railroad network in Uruguay is destined to the transportation of large volumes of raw material, such as agricultural and forest products and fuel, among others. Rail transportation rates are competitive with respect to road transportation in the mass demand segments attended by the railroad.

Currently, the main activity is grain transportation from the distribution plants which have railway siding towards ports or borders for export.

The Administración de Ferrocarriles del Estado (State Railway Administration - AFE) is the autonomous state companies open to the participation of private operators, responsible for operating freight and passenger railway transportation throughout the country.

The railroad network comprises three main trunk lines which communicate the capital city with the west coast of the country (agricultural and forest area, border with Argentina), the north zone (forest area, land border with Brazil) and northeast zone (rice area, land border with Brazil). The three lines meet in the Central Station, adjacent to the Port of Montevideo, which can be directly accessed from the railroad system.

At the same time, AFE's railroad network is connected with the networks of Argentina and Brazil. The connection with Argentina is through the International Bridge of Salto Grande which links Salto and Concordia. Such connection allows the railroad international transportation with Argentina, Chile and Paraguay. The connection with Brazil is through the networks which meet in the Border Crossing of Rivera-Livramento.

Regarding the passenger railroad transportation, the service is provided in two small short-distance inter-urban segments of little importance for the system.

Currently, the freight transportation capacity is limited by the conditions of the railroad infrastructure, the rolling stock and the lack of modern railroad systems, techniques and organization and operation methodologies. In order to improve the service maintenance, the State organized a public capital corporation governed by private law (Corporación Ferroviaria de Uruguay) which, associated with AFE, is in charge of carrying out the necessary investments for the reconstruction of track laying to adapt it to the international standards and allow a 40 km/hour transit with a freight capacity of 18 tons per axle. These investments make up the kickoff for the development of a railroad system part of the transportation integrated system, essential for economic growth.

Sea and maritime transportation

The country's most important port is in Montevideo welcoming maritime lines of the entire world and concentrating exports, imports and traffic trade. It is the first and only terminal in the Atlantic coast of South America which operates under the free port system.

The port of Montevideo –where the public terminal coexists with the private terminals, is in clear expansion and it is one of the greatest hubs for goods distribution of the region.

On the other hand, the port of Nueva Palmira on Uruguay River is the headwaters of the most important river transportation system of South America. The port of Nueva Palmira is located at the key point of the Paraguay-Paraná-Uruguay Waterway, 3,443 km long, which is connected to the Río de la Plata and through the latter to the Atlantic Ocean. Nueva Palmira is outlined

as one of the main terminals for the conveyance of goods of the region to the world and it accommodates both a public terminal and several private terminals.

Air transportation

The main airport facilities are located between Montevideo and Punta del Este, i.e. the areas with the greatest concentration of population and tourist infrastructure of the country.

Carrasco International Airport, the new passenger terminal which was inaugurated by the end of 2009, is located at the east of Montevideo, 18 km from downtown, and is the main passenger and freight air terminal of Uruguay. The inter-continental coverage provided by the Airport is carried out through 14 international airlines which render regular passenger and freight services on a daily basis.

It has a free airport system in place. It is made up of sectors distinguished by their type of operation (chemical/pharmaceuticals, electronics, etc.), areas for order picking, order preparation activities, etc.

The Airport of Laguna del Sauce, 15 km from the city of Punta del Este, recently had its facilities and runways remodeled under private investment on a concession basis.

2.2 Telecommunications

Telecommunication services have a wide coverage throughout the national territory. Except for fixed telephony services (provided by the state company, ANTEL), the other services are rendered by public and private operators on a competition basis.

All activities regarding telecommunications are regulated and controlled by the Unidad Reguladora de Servicios de Comunicaciones (Communication Service Regulatory Unit - URSEC), which is oriented to the extension and globalization of service access, promotion of competition, control of the persistent monopoly activities, application of tariffs reflecting economic costs, promotion of investment at optimum levels and protection of users' rights.

Some indexes which show the progress in the telecommunications sector in Uruguay are shown below.

- Digitalized telecommunications: 100%
- Teledensity in fixed telephony: 31.1 lines every 100 inhabitants
- Teledensity in mobile telephony: 155 lines every 100 inhabitants
- Broadband internet: 58.7 every 100 inhabitants

Sources: Unidad Reguladora de Servicios de Comunicaciones (URSEC).

2.3 Power

Uruguay has a long-term energy policy approved by a multi-party committee. This shows the significance of the issue and ratifies the State policy status of energy policy. This policy has allowed Uruguay to change its energy matrix until reaching in 2015 more than 50% of the global energy matrix from renewable sources. This figure rises to 90% in the case of generation of electricity.

Liquid fuels

The Administración Nacional de Combustibles, Alcohol y Portland (National Fuel, Alcohol and Cement Administration - ANCAP) has the monopoly for the import and refining of crude oil and the production, export and import of by-products. Since Uruguay has no fossil fuel reserves, the supply in the national territory is entirely imported. Imported crude oil is processed in ANCAP's refinery.

The global primary matrix for 2015 results in 39% of energy final consumption by source in Uruguay corresponding to oil byproducts.

At the same time, the main consumer sector of oil by-products is transportation, followed by the residential and industrial sectors.

It is worth pointing out that as of 2009 liquid fuels for automotive use are complemented by biofuels by law, through the mixture of biodiesel with gasoil and ethanol with gasoline. Although ANCAP is in charge of carrying out such mixtures, ethanol and biodiesel are supplied by companies governed by private law, provided the product meets the corresponding quality standards.

Natural gas

Uruguay has no fossil energy sources and it imports all the oil and natural gas it consumes. Currently, all the countries of the region are interconnected by export gas pipelines and Argentina is the supplier country of natural gas to Uruguay.

Natural gas supply chains in Uruguay are made up of gas pipelines and distribution networks operating at low pressure and have greater territorial extension. Transportation facilities supply gas to large users and distribution networks, from residential, commercial and industrial final consumers are supplied for low or medium consumption.

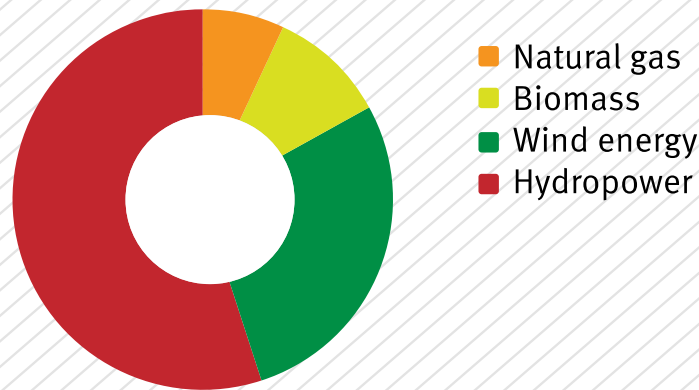
The construction of the regasification plant "**GNL del Plata**" aims at introducing natural gas in Uruguay's energy matrix, from the import and processing of liquefied natural gas.

Electricity

Power generation in Uruguay is carried out by Administración Nacional de Usinas y Transmisiones Eléctricas (National Administration of Power Plants and Electric Transmissions - UTE) and by private industrial generators for personal use and sale to UTE. The main input for generation is hydro-energy, followed by fuel oil, gasoil and biomass to a lesser extent. In 2009 the country also began to implement the generation of wind power.

The installed capacity is more than 3.000 MW. Electricity is mainly generated in hydroelectric plants. Uruguay is also part of an energetic connection with the other countries of the region and when it deems it convenient, it imports electricity from Brazil and Argentina. 98% of urban houses have access to electric power.

Electricity supply per source
(2015)



Source: Uruguay XXI based on MIEM

2.4 Drinking water and sanitation

Uruguay is the only country in Latin America that has achieved an almost universal coverage regarding the access to safe drinking water and appropriate sanitation, with high quality services. Due to these achievements, the government priority is to improve service efficiency and extend the access to sewage system (where appropriate) in areas where on-site sanitation is being used.

Drinking water and sanitation services are provided by the public company Obras Sanitarias del Estado (National Sanitary Services - OSE) and are available throughout the country with no restrictions whatsoever. Access to drinking water sources covers 98% of the population. Based on its excellent level of drinking water coverage, Uruguay has practically eradicated epidemic outbreaks and waterborne diseases and it is the only country of America that did not report cholera cases in the pandemic which took place in the continent between 1991 and 2000. 81% of the urban population has collective sewage service.

3. Financial system

Main features

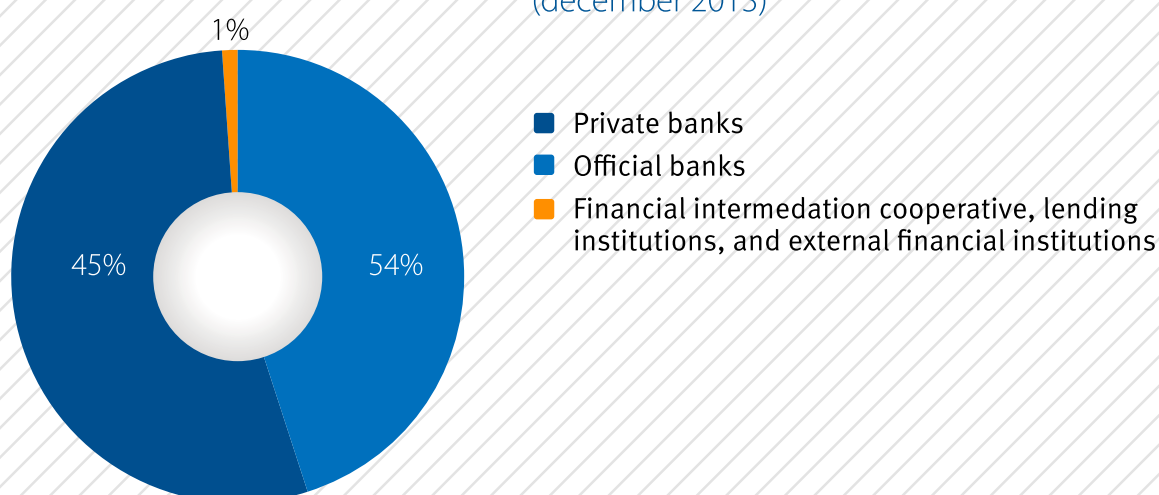
- » Banking and financial activities are governed by the Central Bank, which has the power to authorize the establishment of new entities.
- » A wide range of banking services is available with no limitation for foreign investors.
- » Off-shore operations have a significant tax exemption.
- » Bank secrecy is protected by law.
- » Explicit deposit insurance.
- » There are no limits on capital inflow or outflow or exchange control on foreign exchange operations.
- » International financial center: Uruguay meets the requirements of an international financial center, in particular for MERCOSUR and the region.

3.1 Banking system

The financial intermediation sector in Uruguay is made up of 12 business banks, six lending institutions, one financial intermediation cooperative and six external financial institutions. Private and public commercial banks have the biggest stake in the market.

State banks are Banco de la República Oriental de Uruguay (BROU) and Banco Hipotecario de Uruguay (BHU). The first one operates as a State commercial bank and as a manufacturing and agricultural promotion bank. On the other hand, the BHU finances the purchase of houses.

Assets participation in the financial system
(december 2013)



Commercial banks provide two interrelated types of activities. The first activity is the essence of financial intermediation, i.e., deposit raising from public savings to channel that mass of resources granting credits. Commercial banks also render other services to their clients (bonds, collaterals and guarantees, international purchase and sale operations, foreign trade opera-

tions, investments, etc.).

Lending institutions are engaged with performing all kinds of financial operations, except for those reserved to banks and banking cooperatives, such as the opening of checking accounts. On the other hand, they are authorized to raise funds, both from residents and non-residents.

Financial intermediation cooperatives are institutions that –as their name thus indicates– are organized as cooperatives and are only authorized to provide banking services to their partners and have a distinguishing treatment regarding capital requirements and certain tax advantages with respect to commercial banks.

External financial institutions are off-shore institutions providing financial services exclusively to non-residents under a particular regulatory framework. They are fully tax-exempt.

3.2 Central Bank

Financial system control is responsibility of the Central Bank of Uruguay (BCU), which has a large number of duties. Typically, the BCU is the public entity that regulates the monetary system through the issue, management of international reserves and supervision of exchange operations. It is also in charge of other controls currently under the responsibility of the Office of the Superintendent of Financial Intermediation Institutions, the Office of the Superintendent of Insurance and Reinsurance, the Control Area of Administrators of Social Security Savings Fund (AFAPs) and the Stock Market Area.

In December 2002, the Office of the Superintendent of Banking Savings Protection was created by law as a decentralized entity of the BCU with the purpose of guaranteeing the financial system's deposits refund. Such rule created a Banking Deposit Security Fund financed by financial institutions and managed by the abovementioned Superintendent. This way, an explicit deposit insurance mechanism was formalized for the purposes of indemnifying depositors in the event of bankruptcy.

3.3 Stock market

Apart from resorting to the banking market, fund deficit and surplus agents in Uruguay may resort to the stock market, although the volume of transactions carried out in this market is small.

The Uruguayan stock market comprises the Montevideo Stock Exchange (BVM) and the Bolsa Electrónica de Valores S.A. (BEVSA), the latter being exclusively used by banks and other financial institutions. Primary market operations basically deal with the issue of Certificates of Deposit of the private sector with BEVSA (the public sector issues over-the-counter). In the secondary market, government security operations prevail.

At the same time, there are regulations on different mechanisms to facilitate credit access for the non-financial private sector which can be channeled by the BVM, such as the issue of Negotiable Bonds (NBs) and Trusts.

3.4 Insurances

The insurance market was demonopolized in 1994. From then on, several foreign companies

began operations in Uruguay competing with Banco de Seguros del Estado (State Insurance Bank - BSE), which has led to the diversification of the products offered in the market and a reduction in the policy prices.

The establishment and operation of insurance and reinsurance companies in Uruguay is controlled by the BCU. Reinsurance companies need not be established in Uruguay to operate.

3.5 International financial center

Uruguay's existing conditions regarding capital inflow and outflow freedom, the inexistence of exchange controls and the existing tax benefits turn Uruguay into an attractive international financial center.

The exchange market is very active, especially for US-dollar operations with non-residents, in particular with Argentina and Brazil.

3.6 Financing of companies

Both branches and local companies can get financing from local banks, foreign loans or their headquarters or shareholders. Tax benefits are treated on a case-by-case basis. Therefore, it is convenient to perform a thorough tax planning.

4. Intellectual rights, trademarks and patents

Main features

- ›› Copyright, trademarks and patents are specifically protected by Uruguayan laws.
- ›› Under certain conditions, foreign investors can assert the rights registered in their country of origin.

Copyright

Under the Literary and Artistic Property Law, copyright protection in Uruguay includes literary, scientific and artistic works during a certain period. Within this period, the author or copyright assignee has certain exclusive rights over the registered work, which is protected against unauthorized use or the infringement of the rights thus acquired.

Copyright protection lasts for the life of the author plus an additional term of forty years as from the author's death. If the work is not published, represented, executed or exhibited within ten years as from the author's death, it becomes a public domain work and it can be freely used. Rights acquired by legal persons are protected for a term of forty years.

Foreign works are also protected by law; however, in such cases, compliance with the corresponding laws of the country of origin must be certified.

Copyrighted works are registered with the National Library Copyright Office. Such registration is optional and failure to register therewith does not prevent in any way the enjoyment and exercise of the rights recognized by the Literary and Artistic Property Law.

Our country has ratified the Berne Convention for the protection of Literary and Artistic Works, by virtue of which the authors of one signatory country who publish their works in Uruguay enjoy the same rights granted to national authors.

The foregoing provisions apply to software and creative work in electronic and IT areas from foreign countries.

Trademarks

A trademark is a distinctive sign used to distinguish the products or services of a natural or legal person from those of other persons. These signs can be visible or non-visible and also include slogans. Registration thereof with the National Industrial Property Office (DNPI) is required for the purposes of acquiring the exclusive right over its use, as well as the protection granted to the registrant for a term of ten years, extendable for successive periods of ten years indefinitely.

The exclusive property of a trademark is only acquired with respect to such products as actually applied to. Therefore, a registered trademark may only be used by third parties if said use is related to other products.

The property of registered trademarks can be assigned to third parties by means of private agreements or public deeds, but it is always convenient to register the transfer before the DNPI

for the purposes of being protected against the violation of the rights thus acquired.

The use of trademarks can also be assigned by means of a license agreement, which must be registered with the Trademark License Register - managed by DNPI. Unless otherwise agreed to, the transfer or sale of a commercial establishment is expected to include its trademarks.

Patents

An industrial patent is a set of institutes which protect the rights deriving from inventions, creation of utility models and creation of industrial designs or models.

Invention patents obtained in Uruguay grant the exclusive right of use to their holders for a non-extendable period of twenty years. Once this period elapses, the invention becomes part of the public domain. New inventions of products or procedures which involve an inventive activity and are subject to industrial appreciation shall be considered patents. If the holder does not use the invention patent within three years as from the date of registration thereof, he can be forced to assign the rights, whether exclusively or not, in favor of an interested third party. The three year term can be extended to five years if the non-use of the patent is due to an event not attributable to the holder's will.

Once the utility models (every new use obtained from tools, work instruments, implements, devices, equipment or other known objects which involve an improvement in their use or results) and industrial models or designs (visible form which, when included into a utility product, gives it a different aspect or appearance) are registered, their holders are furnished with the exclusive right of use for a ten-year period extendable only once for five years.

For the purposes of enforcing the exclusive rights of use mentioned above on third parties, inventions, utility models and industrial models or designs must be registered with the DNPI.

The Paris Convention for the Protection of Industrial Property ratified by Uruguay provides the persons of the signatory countries of the Convention with a priority right on an invention, a utility model or an industrial model registered in one of said countries regarding applications submitted by other persons for the use thereof in Uruguay.

For the purposes of enforcing this right, registration with the DNPI within the corresponding term (twelve months for invention patents and utility models and six months for drawings or industrial models and for brand names or trademarks) –which is calculated as from the registration in the country of origin, is required.

Beyond these special provisions, foreign patent owners or holders can obtain the validation thereof in Uruguay by means of an application submitted to the DNPI within three years as from the granting thereof in the country of origin. Validated patents are protected for a period of fifteen years, less the protection term they had enjoyed in the country of origin. Foreign patent nullity and voidance results in the validation patent nullity and voidance; however, this is not the case for the expiration term of each patent since they are independent.



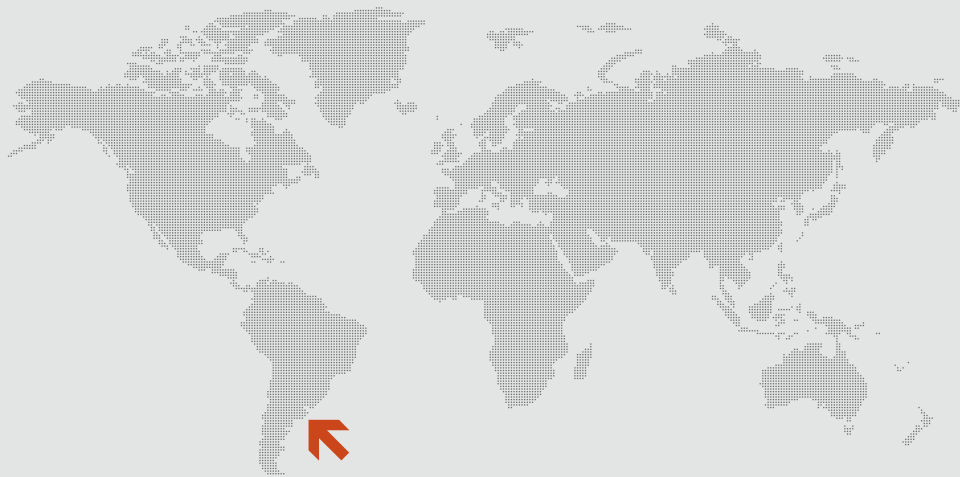
- Arrangement of visits to the country by foreign investors, including the setting of meeting agendas with, for instance, public authorities, suppliers, potential partners and chambers of commerce.
- Support in setting-up operations and expansion. We assist you in the process of setting-up your business in the country and provide support for you to consolidate business growth in Uruguay.

About us

Uruguay XXI is the Uruguayan investment and export promotion agency. Uruguay XXI provides free support to foreign investors, both to those who are in the process of assessing where to make their investments and those who have been operating in Uruguay for a long time.

Our Investor Services

- Macro and sector-based information. Uruguay XXI regularly prepares research on Uruguay and several sectors of economy.
- Tailor-made information. We prepare personalized information to answer your specific inquiries, such as macroeconomic data, labor market, taxes and legal aspects, investment-promotion programs, location and costs.
- Contact with main players. We generate contacts with governmental entities, industrial stakeholders, financial institutions, research & development centers and prospective partners, amongst others.
- Promotion. We provide investment opportunities in strategic events, missions and business networking meetings.



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