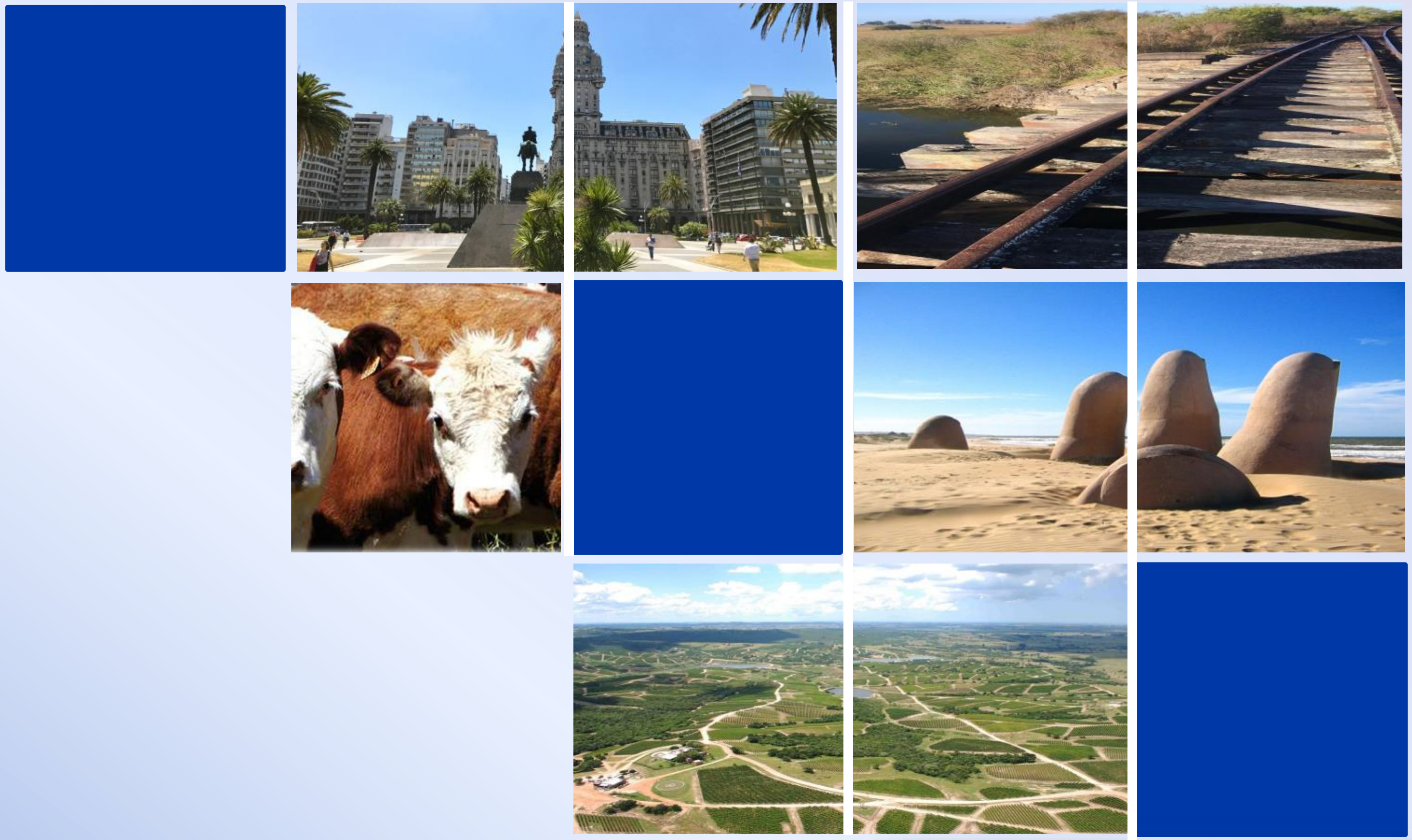


República Oriental del Uruguay

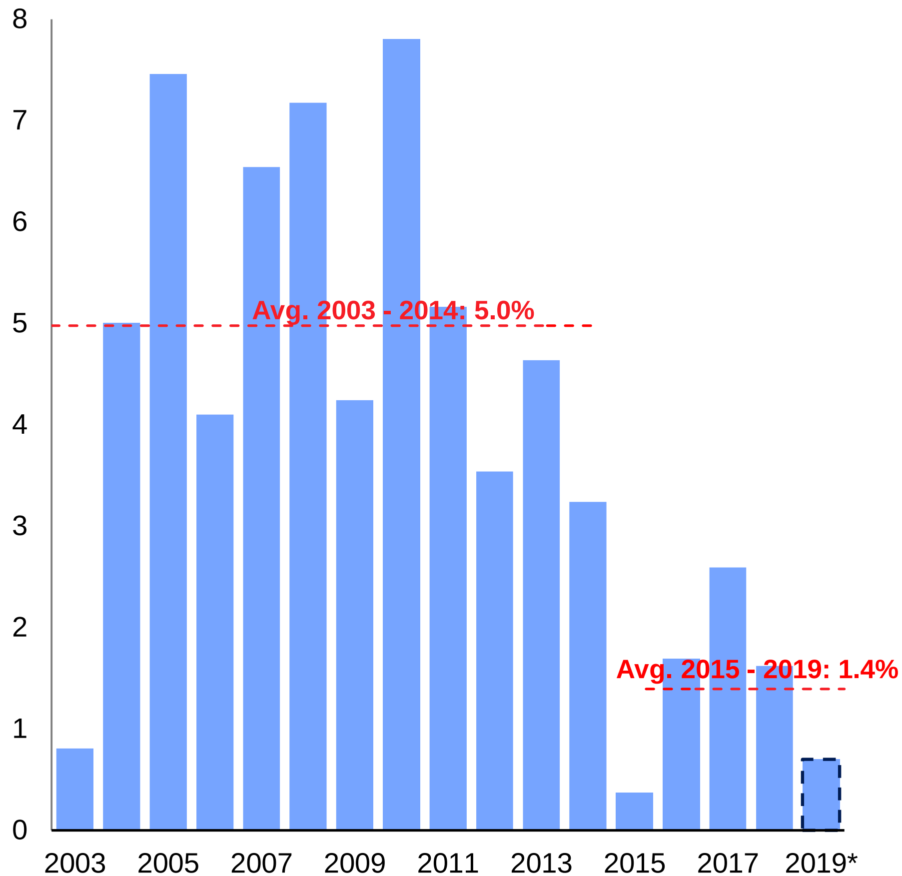
Investor Presentation

October 2019

Sustained growth over the last 16 years, showing resilience in the face of adverse regional backdrop

Real GDP growth

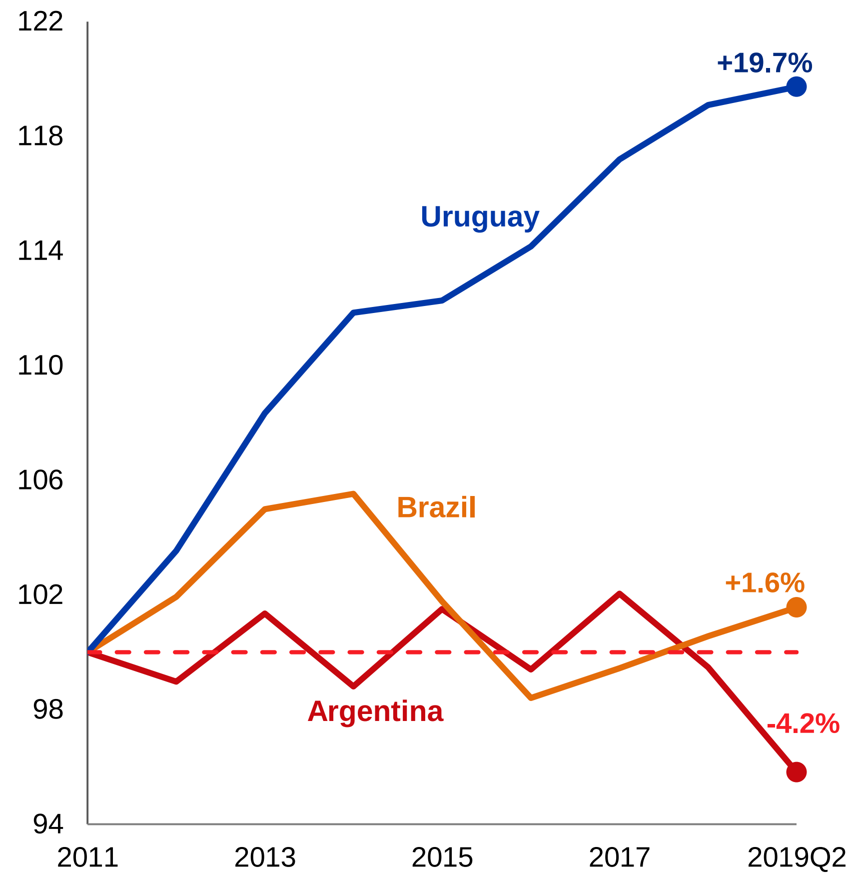
(In %)



(*) 2018 Annual Budget Law projection

Cumulative real GDP growth

(Index, Base 100=2011)



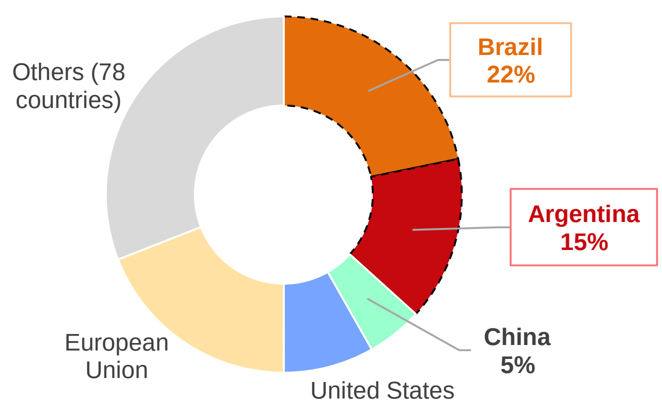
Sources: *Central Bank of Uruguay, National Institute of Statistics and Censuses (INDEC - Argentina), Brazilian Institute of Geography and Statistics (IBGE- Brazil)*

Diversification of export destinations has reduced trade exposure to the region, and muted effect of trade war

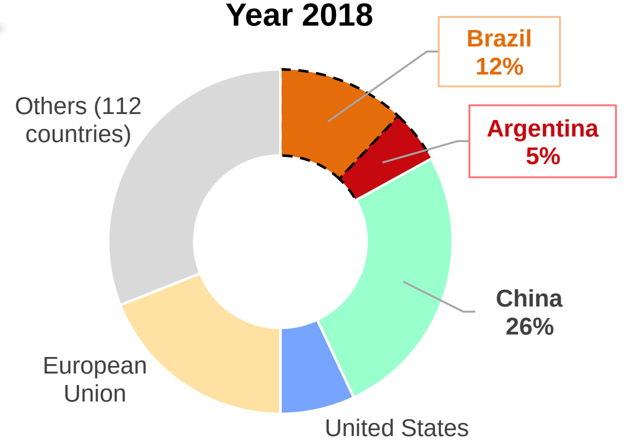
Exports of goods by destination

(As a share of total exports)

Year 2001

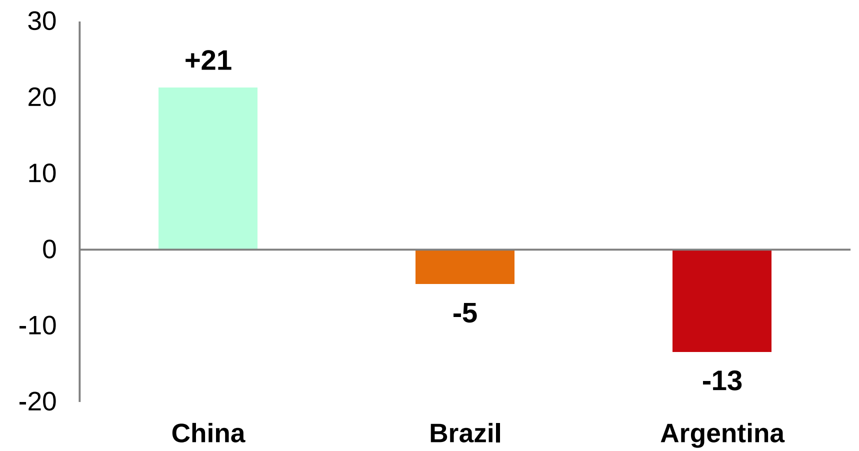


Year 2018



Exports of goods to key destinations[1/]

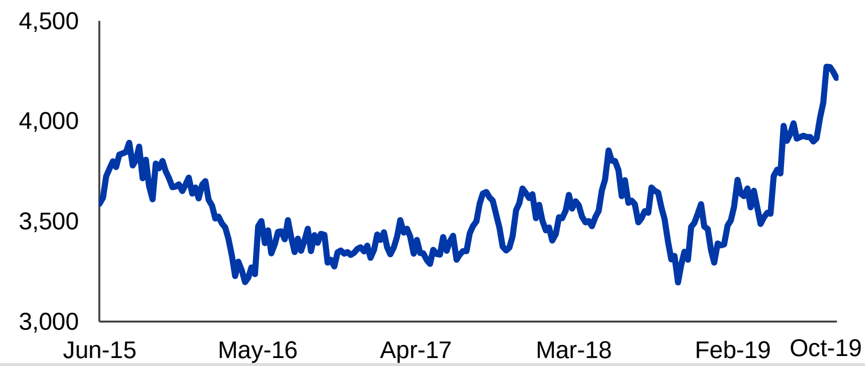
(Jan-Sep 2019 compared to same period last year, in %)



1/ Does not include the Free Trade Zone´s exports

Export price of beef

(4-week rolling average, in US per tonne)

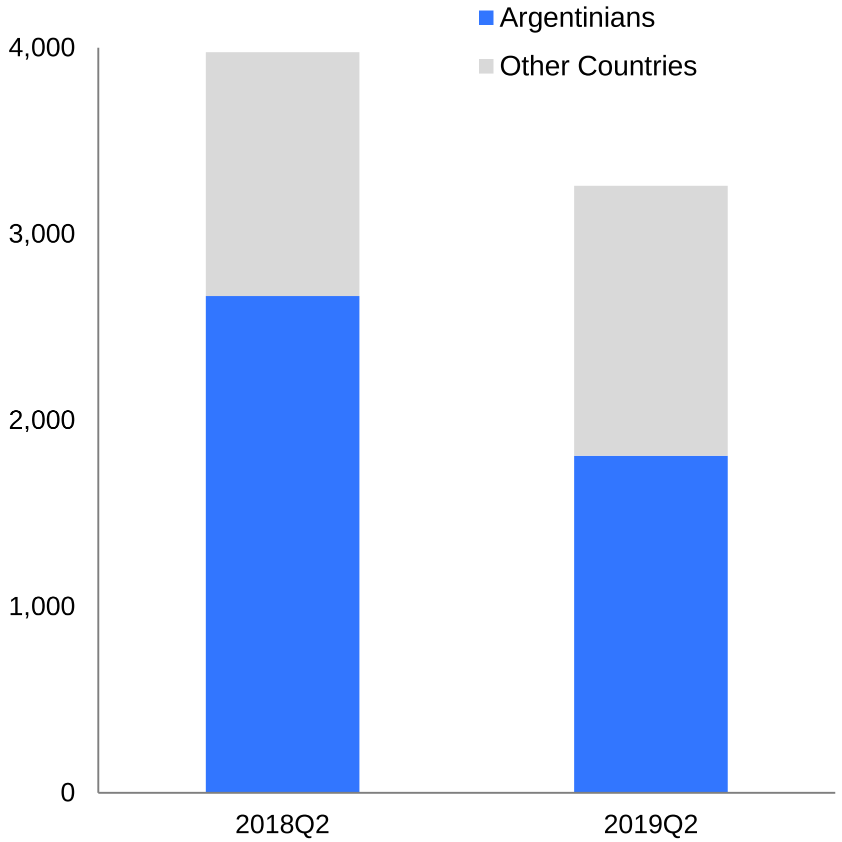


Source: *Export and Investment Promotion Agency (Uruguay XXI), National Institute of Beef (INAC)*

Economic pressures in Argentina have continued to spill through inbound tourism, yet exports of other services picked up some slack

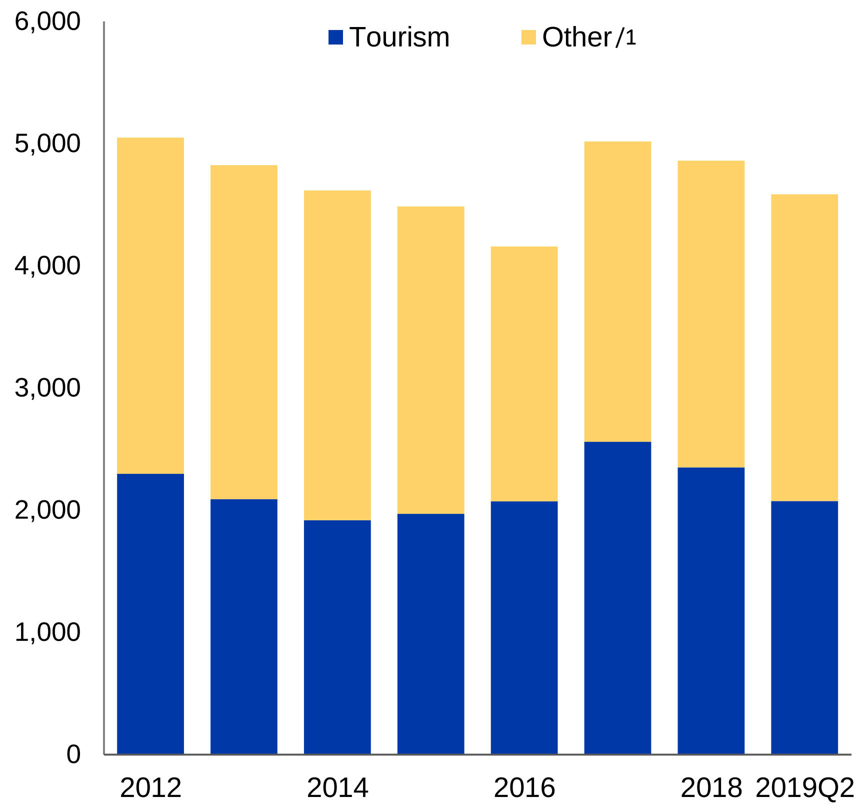
Tourist arrivals

(Last 12 months, in thousands)



Exports of services

(In USD million)



1/ Software, transport, logistics, maintenance, financial, personal and professional and consultancy services

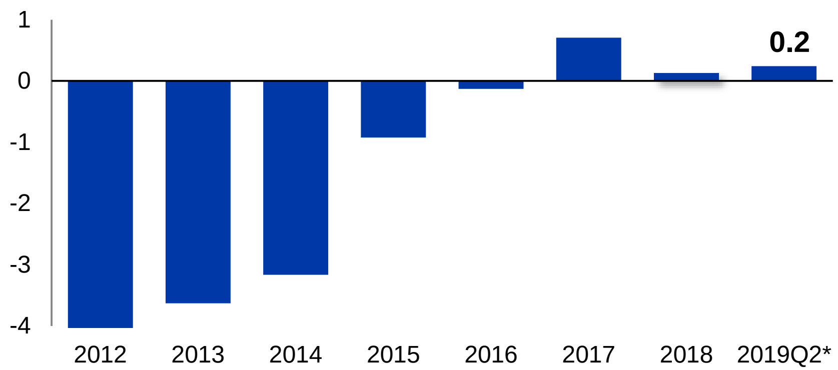
Source: *Ministry of Tourism of Uruguay; Central Bank of Uruguay*

Since 2017, the current account has shown a positive balance

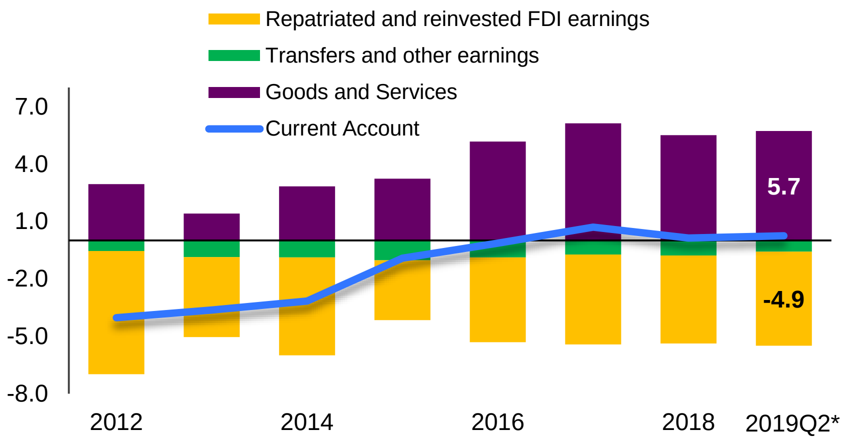
Current account balance in Uruguay

(In % of GDP)

Overall



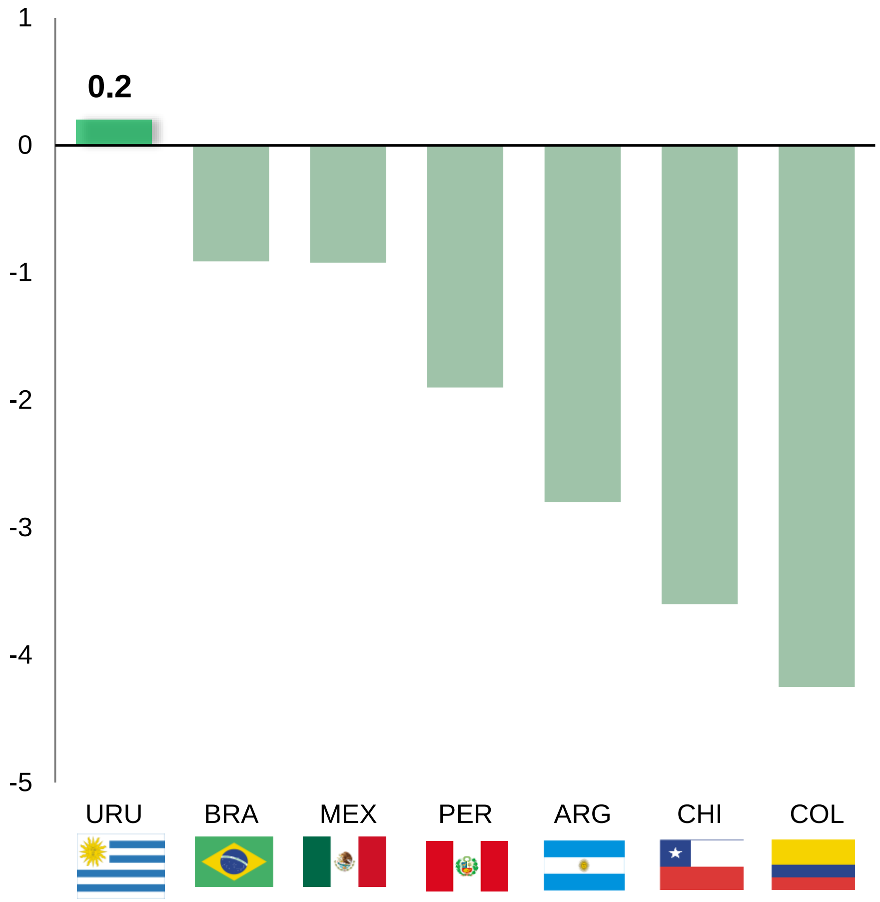
By components



(*) Last 12 months

Current account balance compared to LatAm

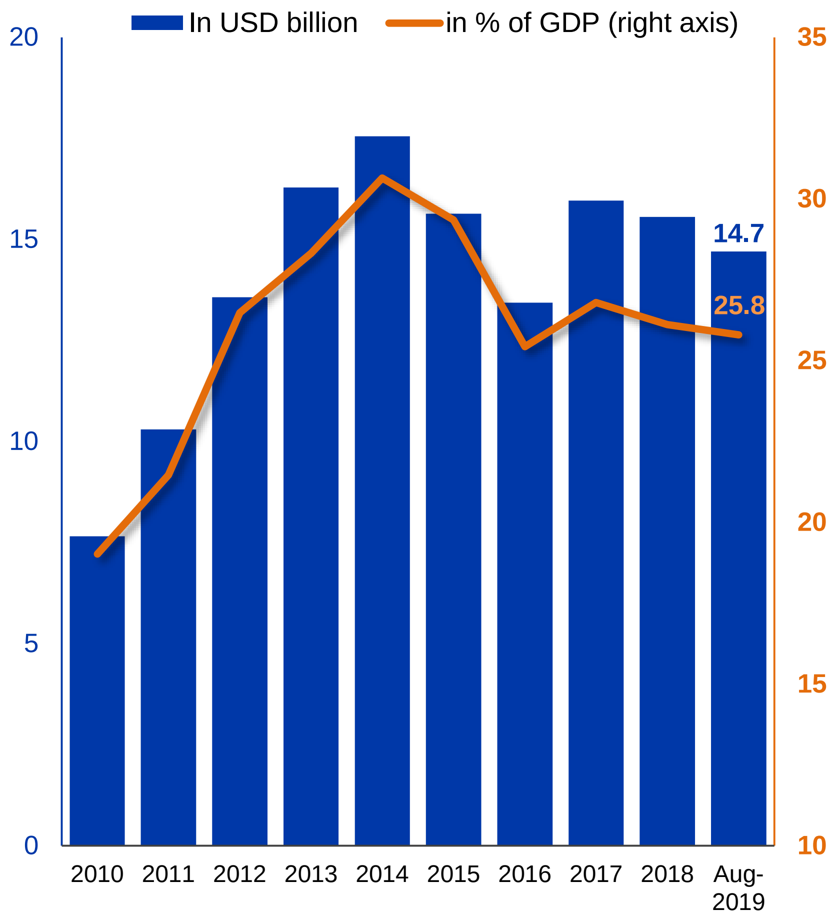
(Last 12 months through 2019Q2, in % of GDP)



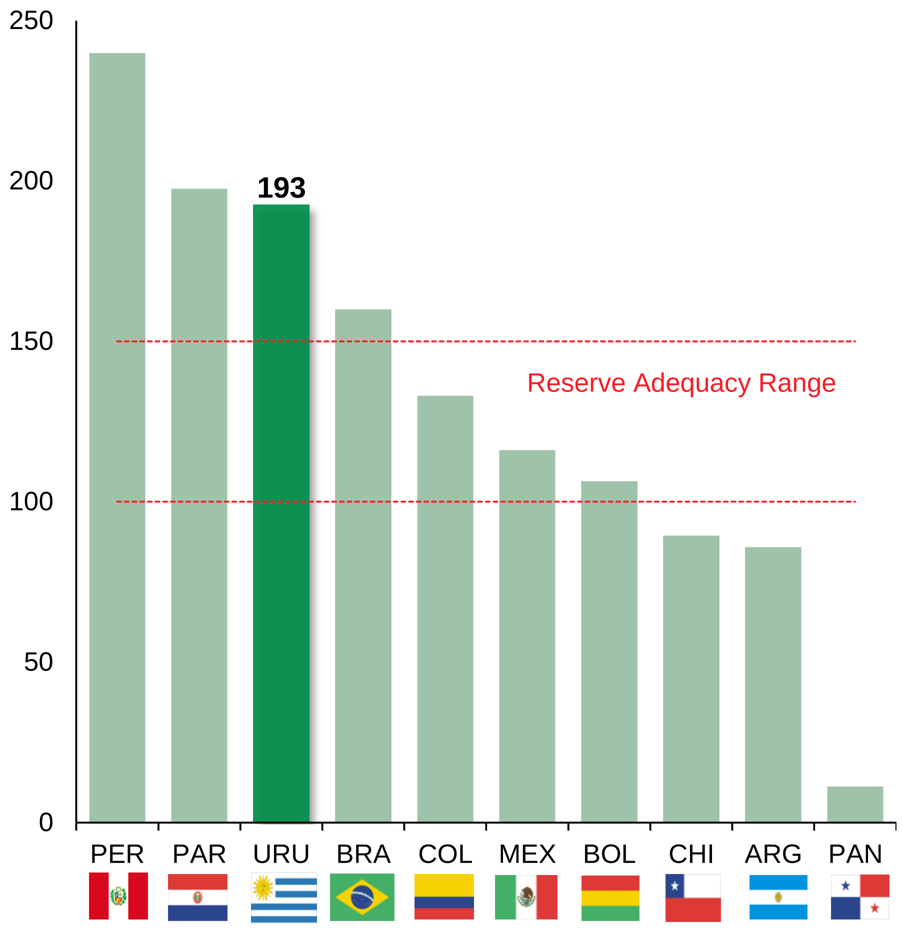
Source: *Central Bank of Uruguay; Central Bank of Mexico; National Institute of Statistics and Censuses (INDEC - Argentina); Central Bank of Brazil; Banco de la República de Colombia; Central Reserve Bank of Peru; Central Bank of Chile; Contraloría General de la República de Panamá.*

Ample international reserves provides sizeable external buffers

International reserves
(End-of-period)



Reserve adequacy compared to LatAm
(International reserves to IMF's Reserve Adequacy metric, as of July 2019)



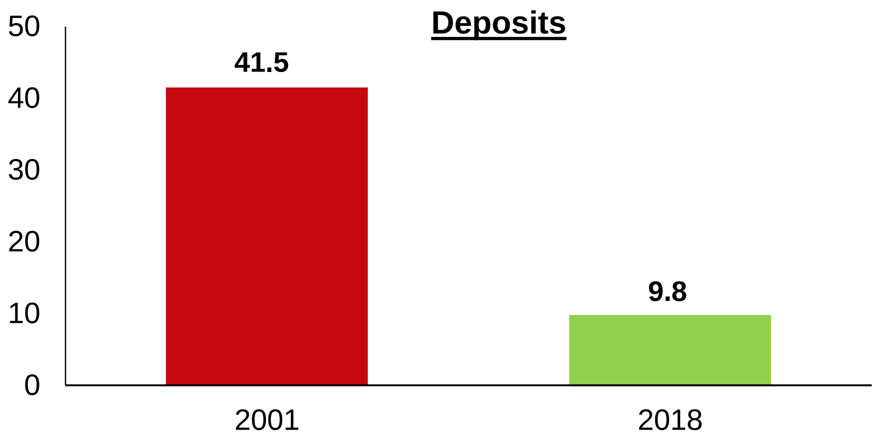
Sources: *Ministry of Economy and Finance, Central Bank of Uruguay, International Monetary Fund*

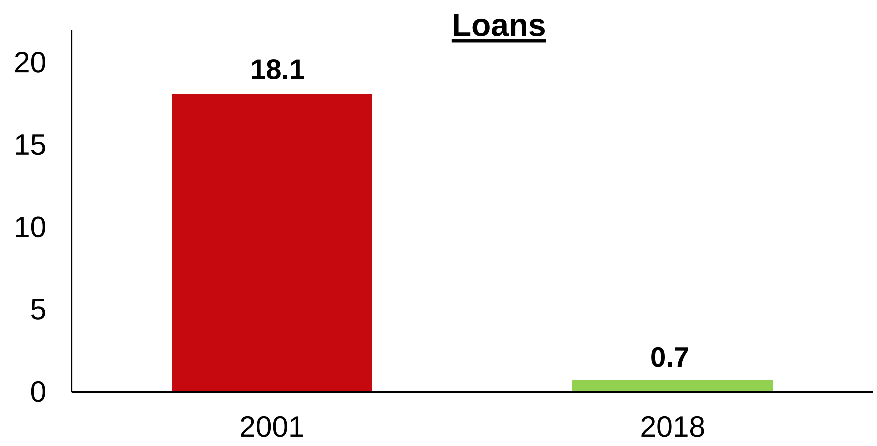
Note: *The Reserve Adequacy (ARA) Metric is calculated by the IMF for Emerging Markets (EM) and comprises four components reflecting potential balance of payment drains: (i) export income, (ii) broad money, (iii) short-term debt, and (iv) other liabilities. The weight for each component is based on the 10th percentile of observed outflows from EM during exchange market pressure episodes, distinguishing between fixed and flexible exchange rate regimes.*

Limited banking sector exposure to non-residents mitigates financial spillovers risks; stringent supervision under Basel III regulations

Banking system´s balance sheet exposure to non-residents

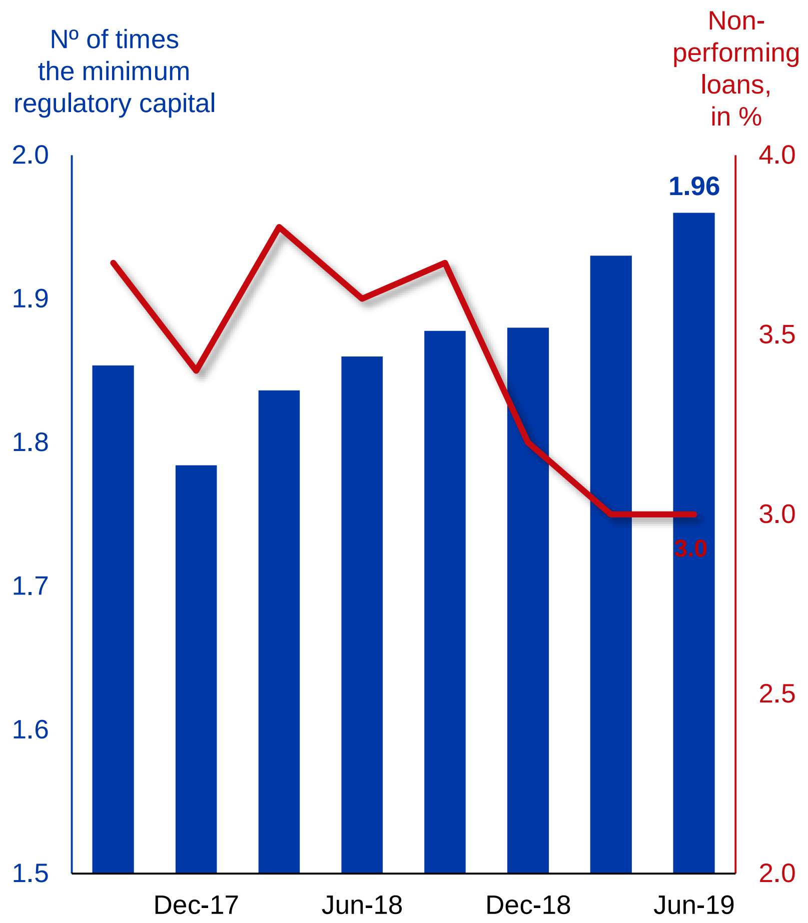
(To non-financial sector, % of total)1/





1/ End-period; data for deposits includes only private non-financial sector

Solvency of the banking system



Source: Central Bank of Uruguay

Credit spreads remain subdued despite regional turmoil

Sovereign risk premium

(EMBI, in bps)

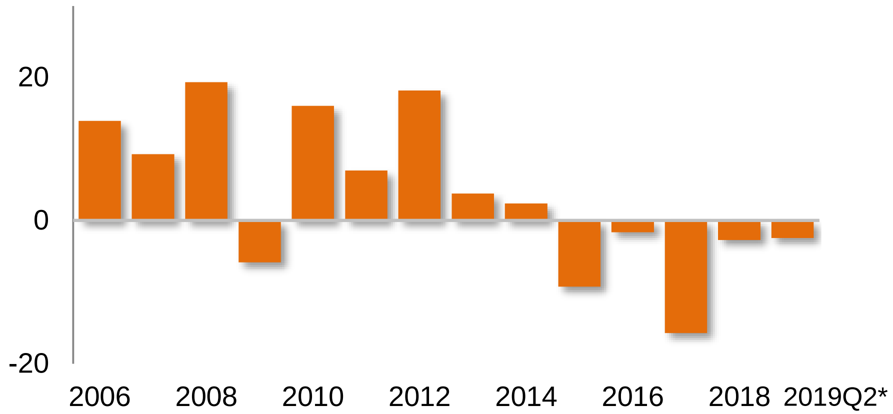
(*) As of October 30th

Source: *Bloomberg*

Macroeconomic Challenges and Policy Priorities:
1) Boosting private investment to jump-start economic activity

Gross fixed capital investment

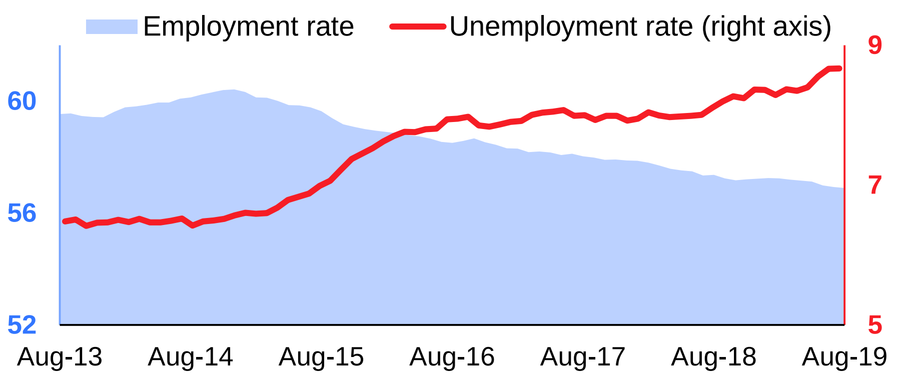
(Annual real change, in %)



(*) Last 12 months

Labour market indicators

(Average of last 12 months, in %)



Policy responses to promote investment

- Changes to the Investment Promotion Regime to boost investments with positive externalities
  - Additional tax benefits for promoted investment projects executed in 2018
  - Benefits for national farm equipment production
- Extension of automatic tax credits for SME investments
- Transformative infrastructure projects
- **September 2019:** *Government announced a new stimulus program, with new and expanded tax breaks and incentives for 14 economic sectors, including farming, food processing, global services, logistics and tourism.*

Source: *Central Bank of Uruguay; National Institute of Statistics (INE); Ministry of Economy and Finance*

Moving ahead with largest-ever private investment in the country, together with a new railway system and other infrastructure projects

Construction of new pulp mill

- Finnish company UPM`s Second pulp mill in the country
- Overall investment: approx. **USD 3 billion (5% of GDP)**
- Will have a material positive impact on GDP growth, employment and the balance of payments
- World-class design with proven high environmental performance

Central Railway project

- Will run from city of Paso de los Toros to the Port of Montevideo (273 km long)
- Public-Private-Partnership (PPP) modality
- **USD 1,000 million** investment
- Will reduce transportation costs for other economic activities and is expected to foster more agricultural activity in the center-north part of the country

Source: *PPP Unit, Ministry of Economy and Finance**,** Ministry of Transport and Public Works*

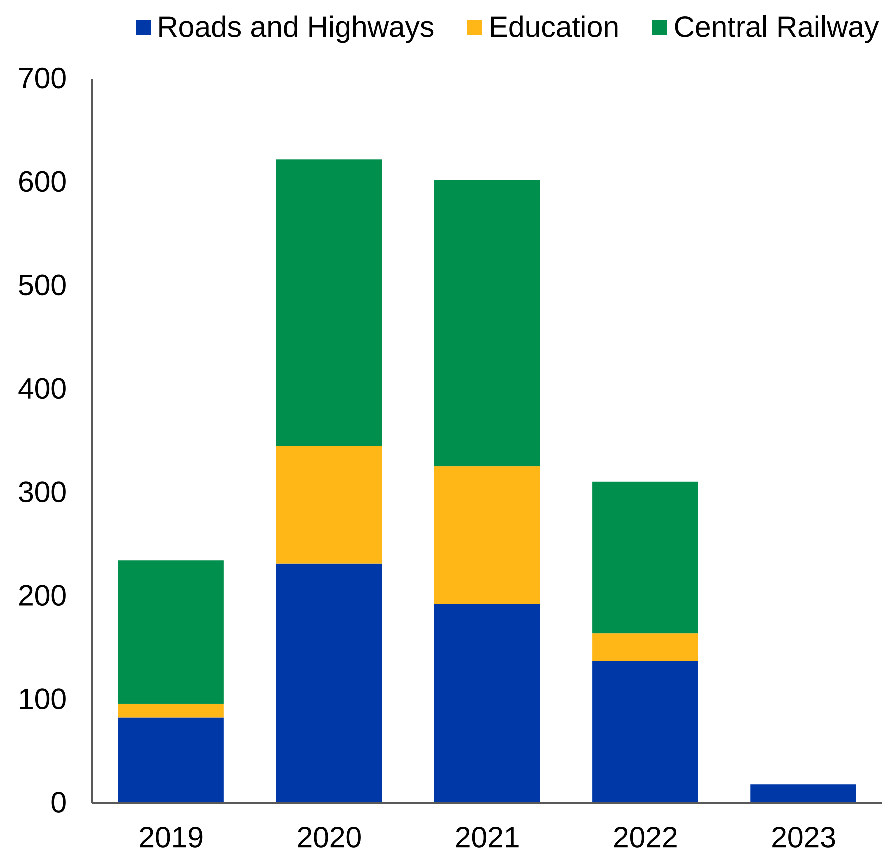
A wide range of other infrastructure projects are setting the foundations for medium-term economic growth

Maturing pipeline of PPP infrastructure projects

- Total Investment of USD **1,900 million**
- The PPP portfolio spans 13 projects
- Most of them poised to start execution this year:
  - Roads and highways
  - Education infrastructure
  - Central Railway

Executed PPP investment and pipeline of projects

(In USD million)



Source: *PPP Unit, Ministry of Economy and Finance, Ministry of Transport and Public Works*

Deeper trade integration in good and services:
Free Trade Agreements negotiated with EU and EFTA during 2019

EU:

- Most important agreement since the creation of Mercosur
- The EU is Uruguay´s second largest comercial partner
- 97% of exports supply will have preferential access to the EU

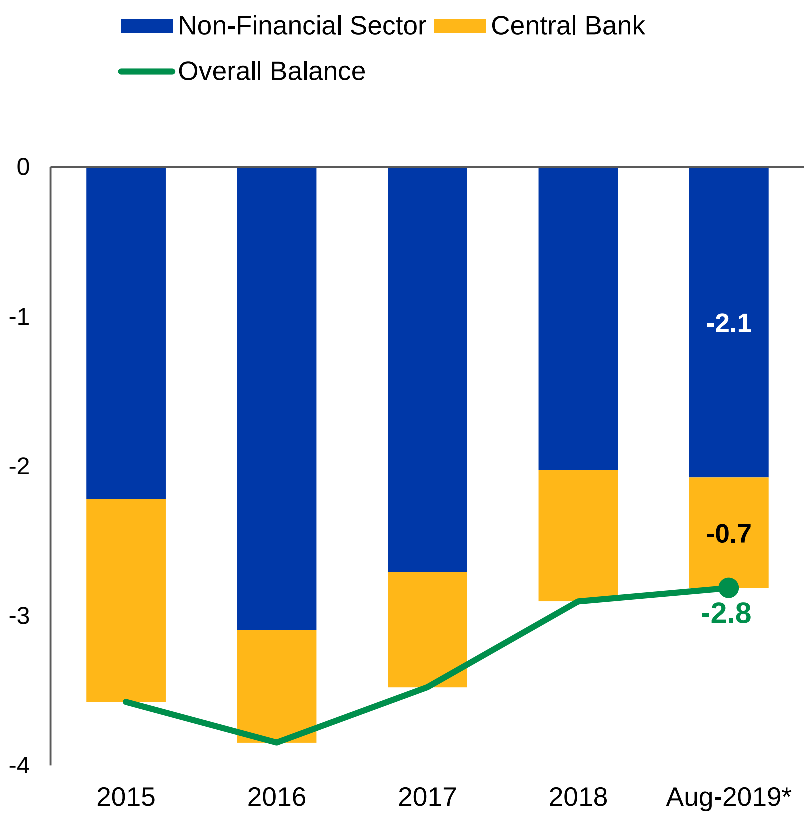
EFTA (Switzerland, Norway, Iceland and Liechtenstein)**:**

- The agreement covers tariff issues, government purchases, trade in services, intellectual property, trade facilitation, sustainable development, competition, investment and trade defense

Source: *https://www.elobservador.com.uy/nota/acuerdo-entre-la-ue-y-el-mercosur-traera-beneficios-para-uruguay-por-us-100-millones-20197119357; https://www.elobservador.com.uy/nota/moody-s-preve-que-el-pacto-mercosur-ue-beneficie-mas-a-uruguay-y-paraguay-201971223959*

Macroeconomic Challenges and Policy Priorities:
2) Shoring up fiscal finances amid rigid spending profile

Headline fiscal balance of the overall public sector
(In % of GDP)



(*) Last 12 months

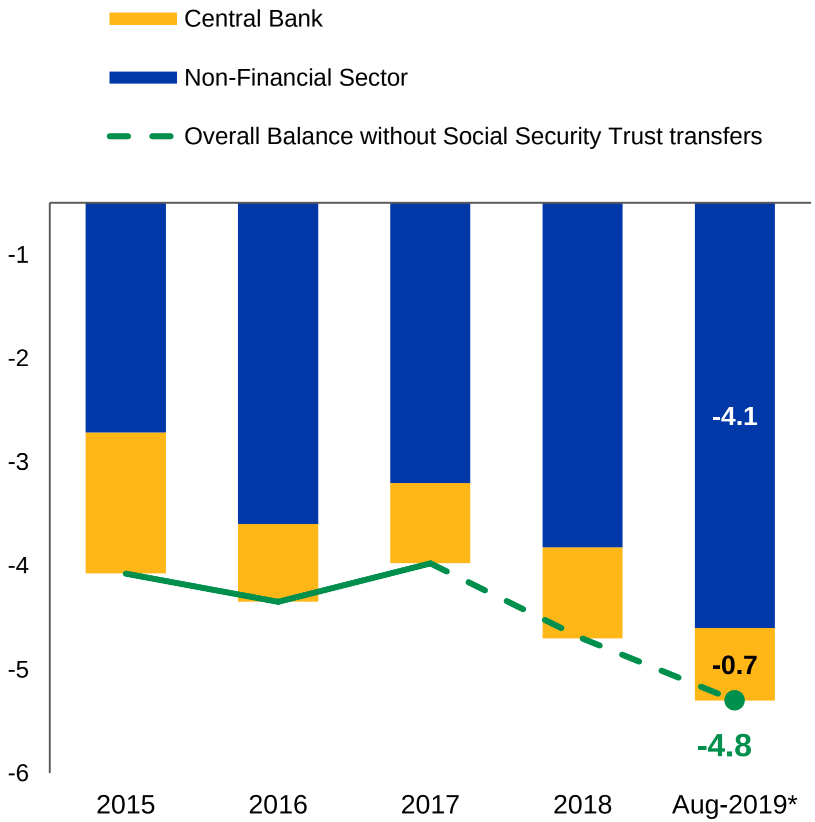
- Headline fiscal balance is consolidated for the whole public sector, including Public Enterprises and the Central Bank
- Since October 2018, the public Social Security Trust Fund (SSTF) has received extraordinary transfers from Pension Funds, following a law introducing changes to the pension system
- These accumulated transfers, are registered as government revenues consistent with IMF statistics standards, and reduced the headline fiscal deficit by **2.0% of GDP** in the last 12 months to August

***Source**: Ministry of Economy and Finance*

Macroeconomic Challenges and Policy Priorities

Fiscal balance of the overall public sector

(In % of GDP)



(*) Last 12 months

- Excluding these inflows into the SSTF, fiscal finances has seen a persistent deterioration since 2017
- The Ministry of Finance has deployed measures to improve quality of discretionary spending and budget execution
- The Central Bank cannot transfer to the Treasury unrealized gains originated from the accounting revaluation of international reserves

***Source**: Ministry of Economy and Finance*

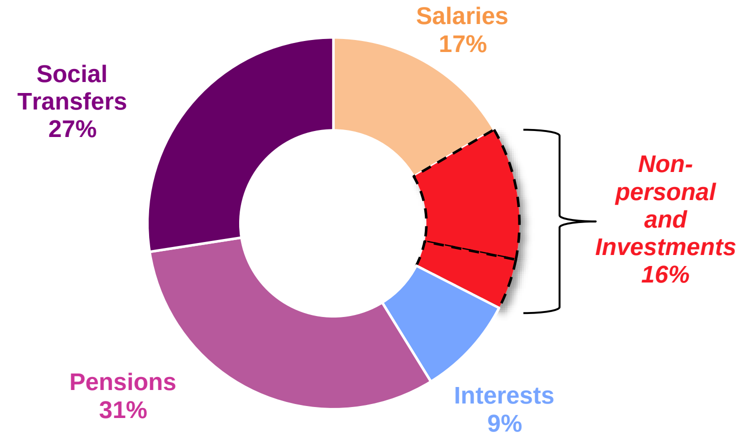
Fiscal consolidation is facing headwinds from a sluggish economy and sustained increase in indexed expenditures

Tax Revenues

(In % of GDP)

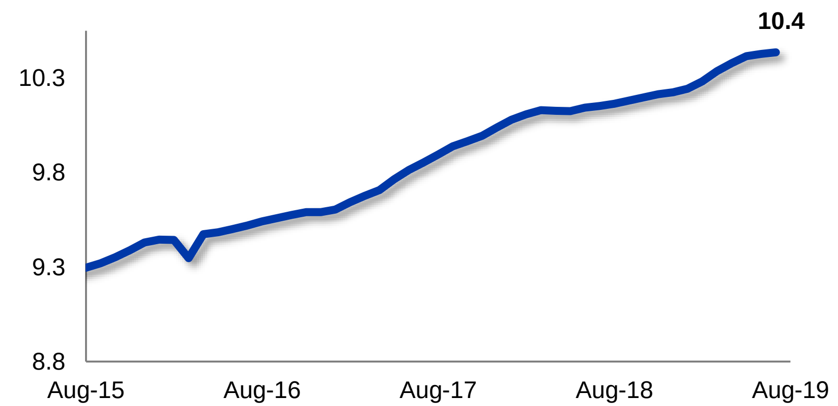
Central Government expenditures by component

(As share of total, 12-month period through August 2019)



Pension expenditures

(In % of GDP, 12-month rolling period)



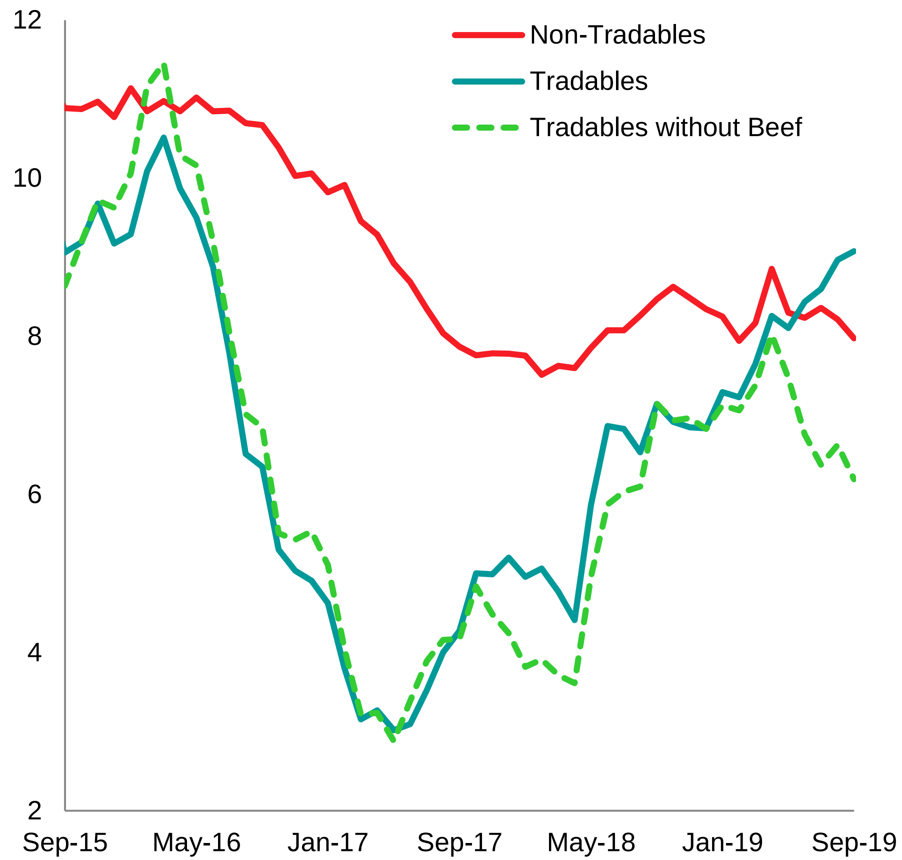
Source: *Ministry of Economy and Finance of Uruguay*

Macroeconomic Challenges and Policy Priorities:
3) Steering inflation back to target while FX is shock absorber

Inflation
(Annual, in %)

1/ Median expectation in Central Bank´s market survey

Tradable and Non-Tradable Inflation Components
(Annual, in %)

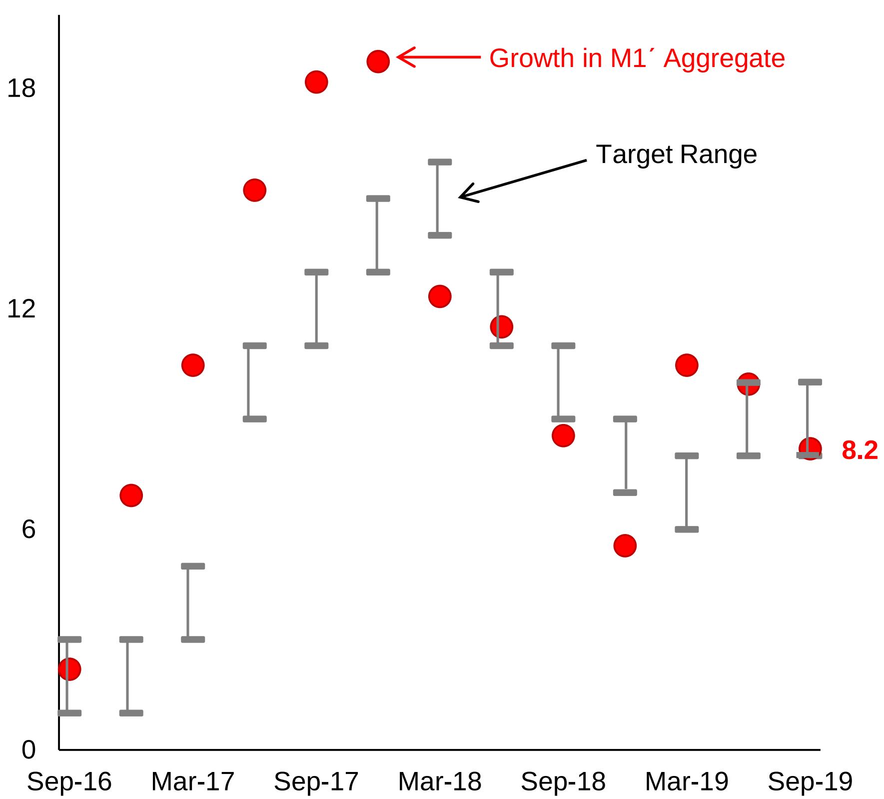


Source: *National Institute of Statistics (INE); Central Bank of Uruguay*

Moderate contractive stance of Monetary Policy, which takes into account reduced FX pass-through and the stage of the business cycle

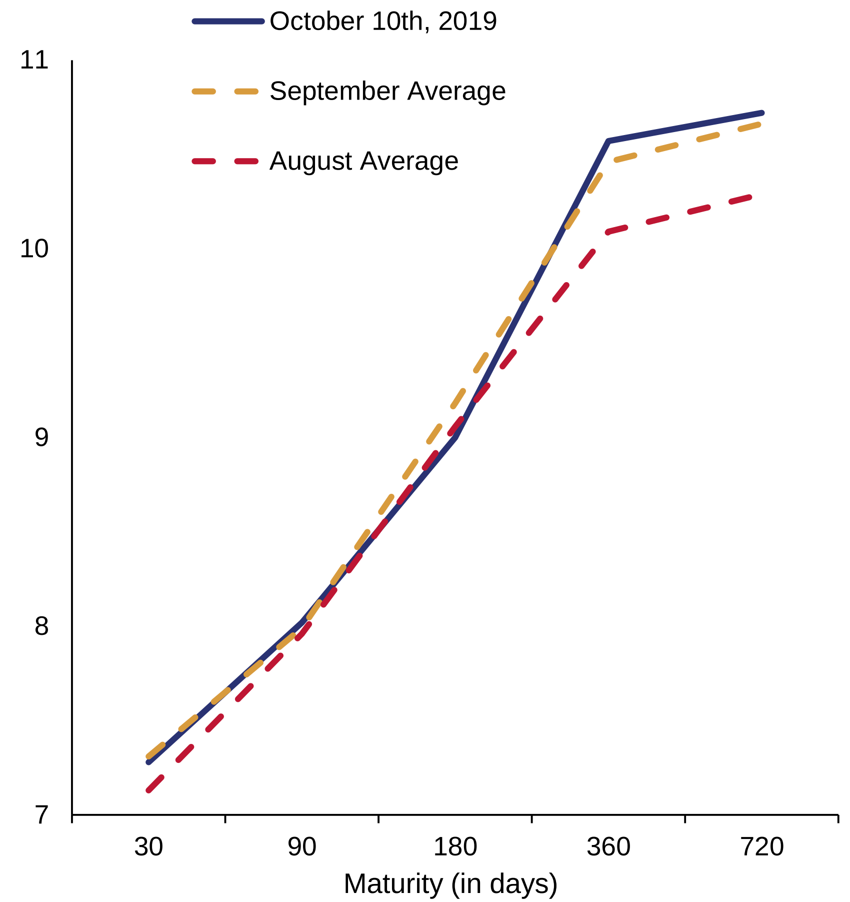
Monetary policy instrument

(Annual change, in %)



Term structure of Central Bank open market instruments

(In %)

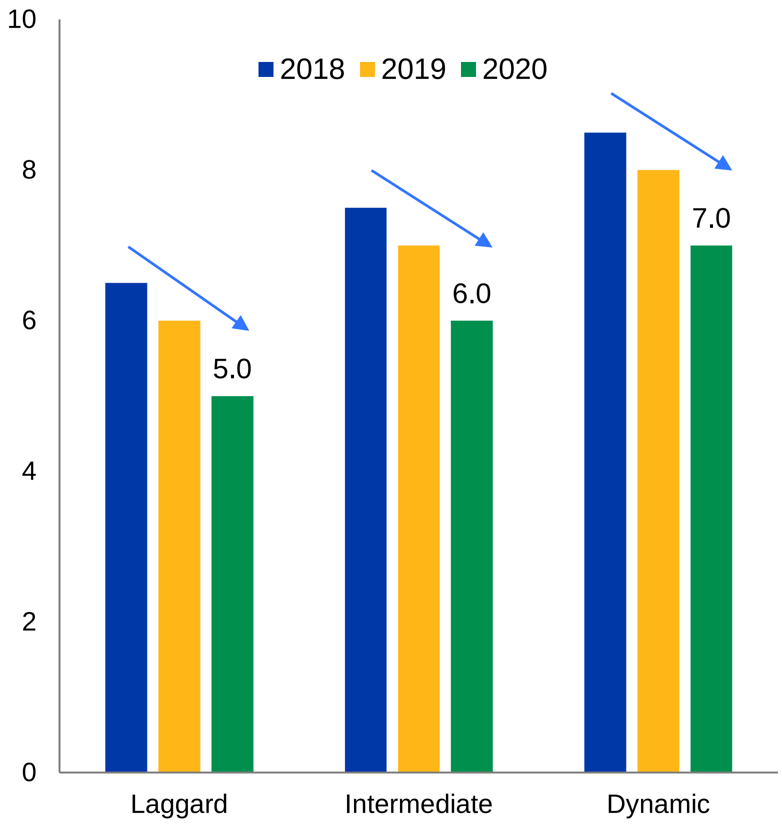


Source: *National Institute of Statistics (INE); Central Bank of Uruguay*

Flexible and forward-looking wage-setting guidelines to reduce indexation and non-tradable inflation inertia

Government`s guidelines for 2018-2020 wage negotiations

(Annual increases in nominal wages by economic sector, in %)



Wage-setting guidelines in the private sector

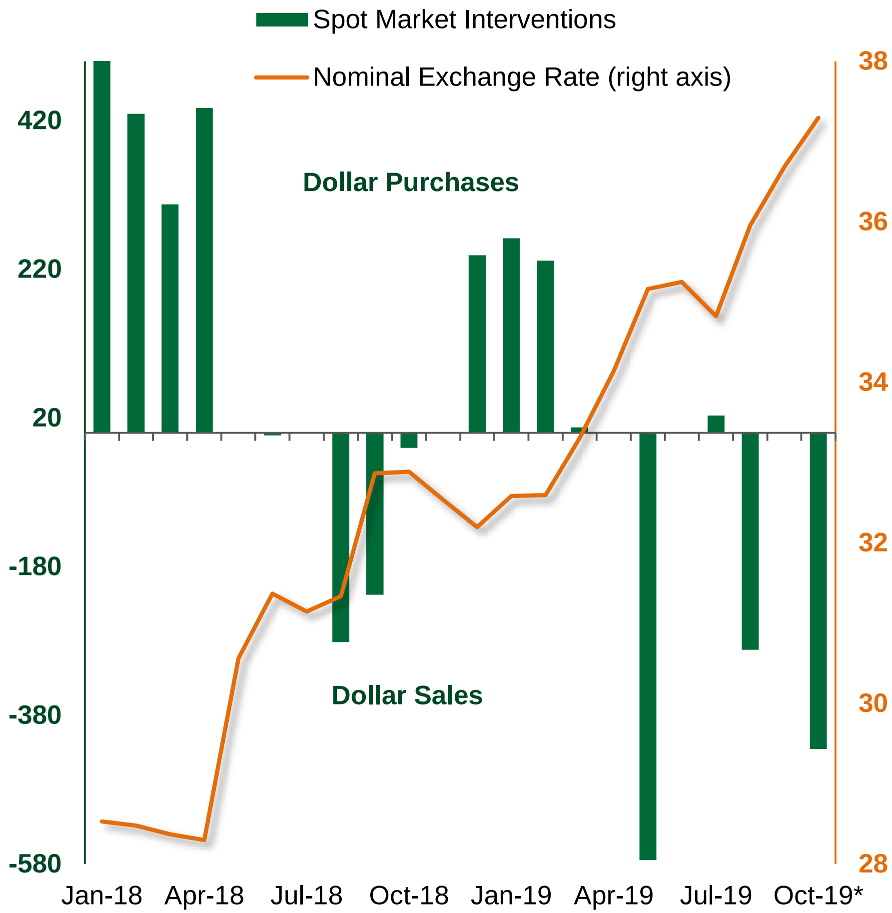
- Nominal wage adjustments based on forward-looking inflation
- Wage increases depending on sector`s economic situation
- Longer-term wage contracts and less frequent real wage corrections

Source: *Ministry of Economy and Finance and Ministry of Labour and Social Security*

Central Bank market has intervened on both sides of the market to smooth out FX fluctuations

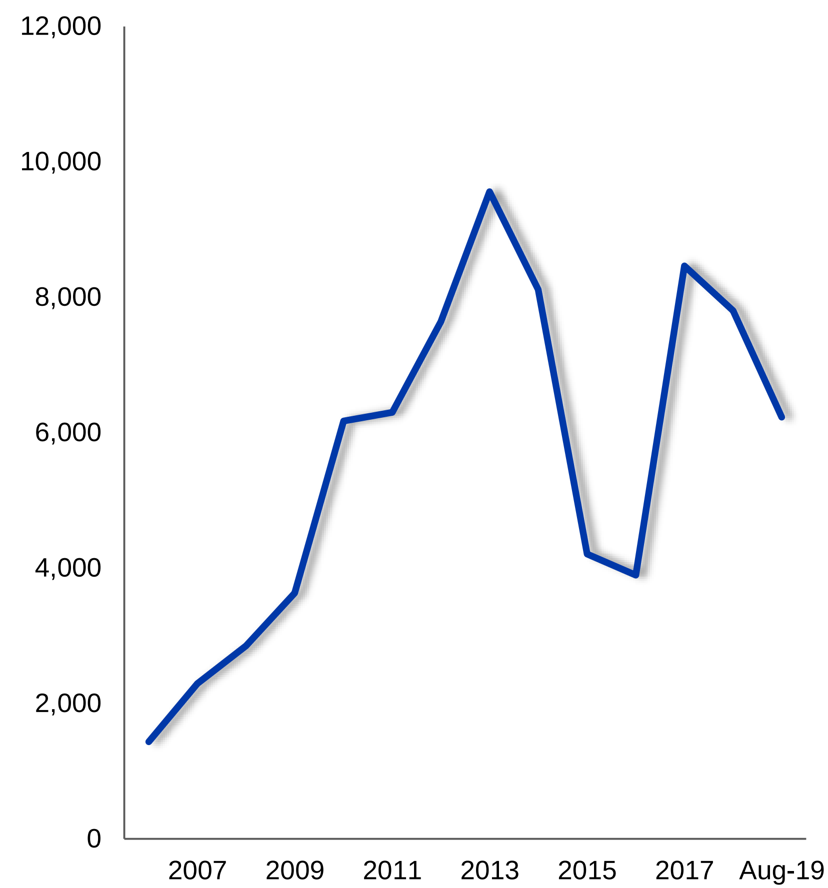
Central Bank FX intervention[1/]

(In USD million)



Stock of Central Bank Open Market instruments

(In USD million)



(*) As of October 29th

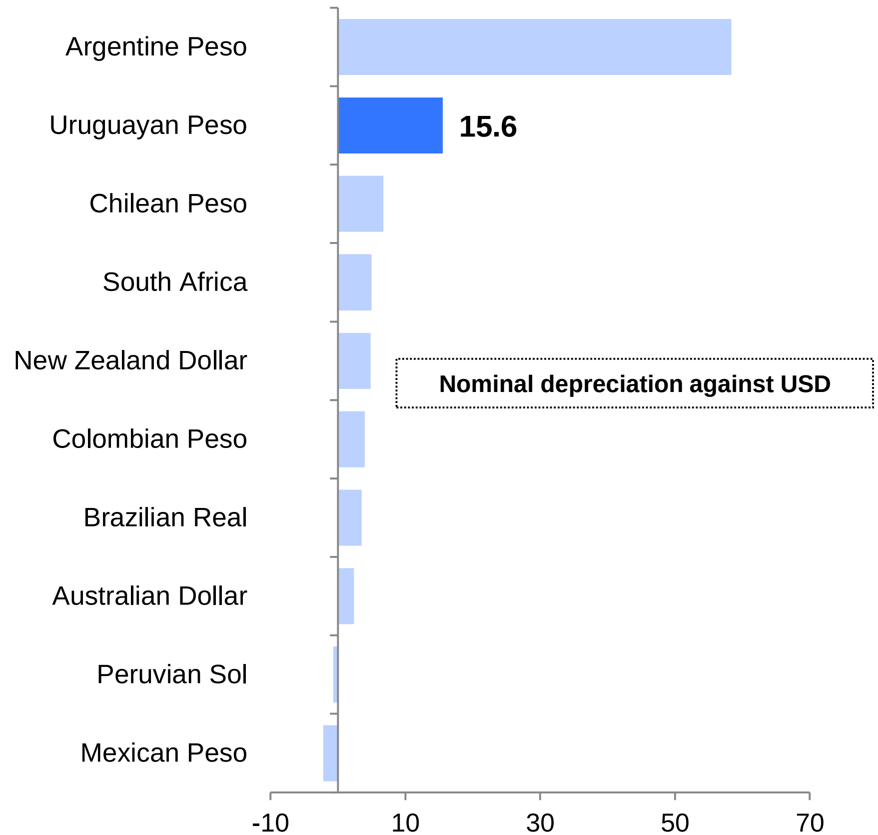
1/ Does not include Central Bank`s repurchases of monetary bills

Source: *Central Bank of Uruguay*

Nominal exchange depreciation in line with other Latam countries and trade competitors; RER broadly in line with fundamentals

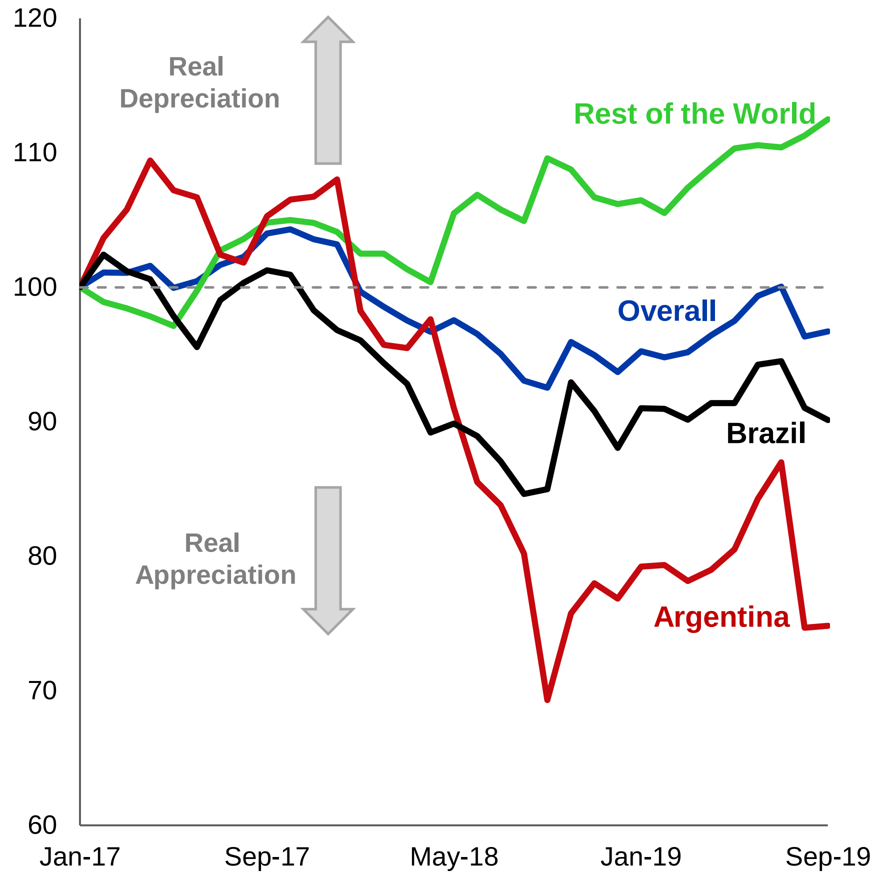
Currency performance vs USD:
Latam and other relevant trade competitors

(Year-to-date change in nominal exchange rate, in %, as of October 14th)



Effective real exchange rate

(Index base 100 = January 2017)

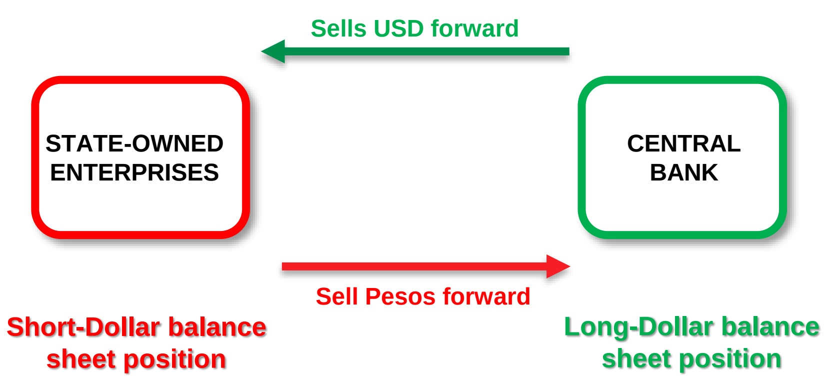


***Source**: Bloomberg; Central Bank of Uruguay*

Improvement in SOE's management and policies strengthened financial position and operating efficiency

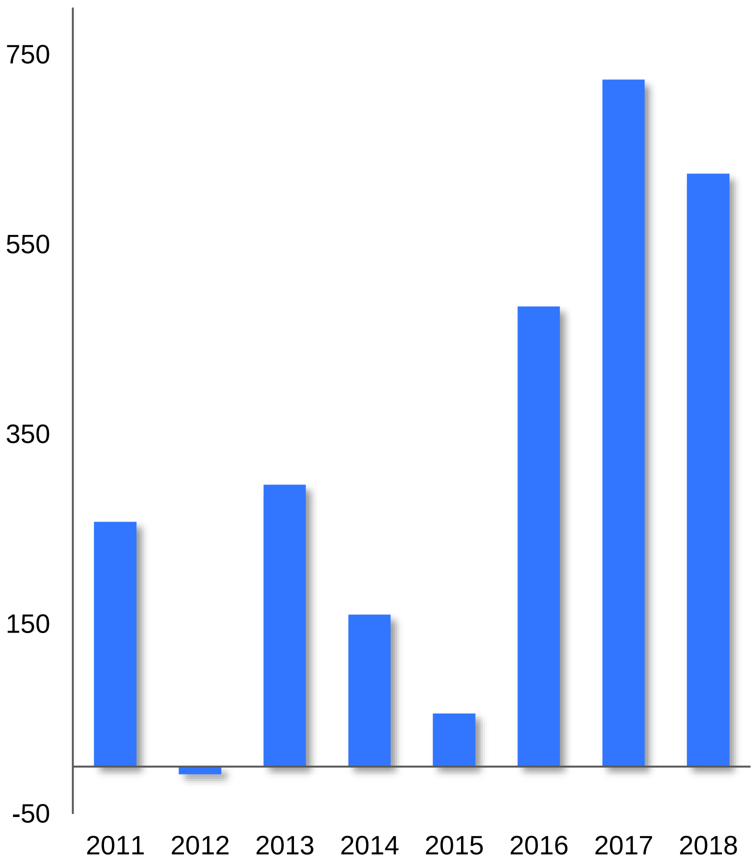
Improvement in financial health of public enterprises

- More efficient management and reduction in operating costs
- Reduced vulnerability to exchange rate fluctuations and diversified sources of funding.
    - Coordinated with MoF and Central Bank (sovereign asset and liability management framework)



State-owned enterprises´ balance sheet results[1/]

(In USD million)



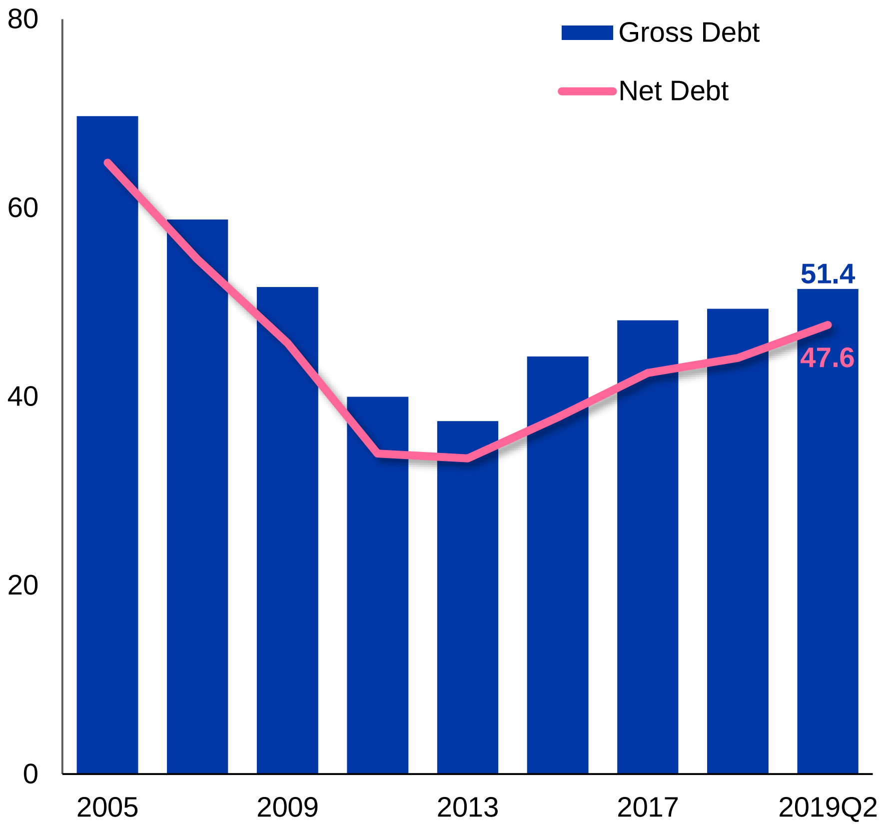
1/ Includes UTE, ANCAP, ANTEL y OSE

***Source**: Ministry of Economy and Finance*

Active debt management has improved the debt profile, reducing currency and rollover risks…

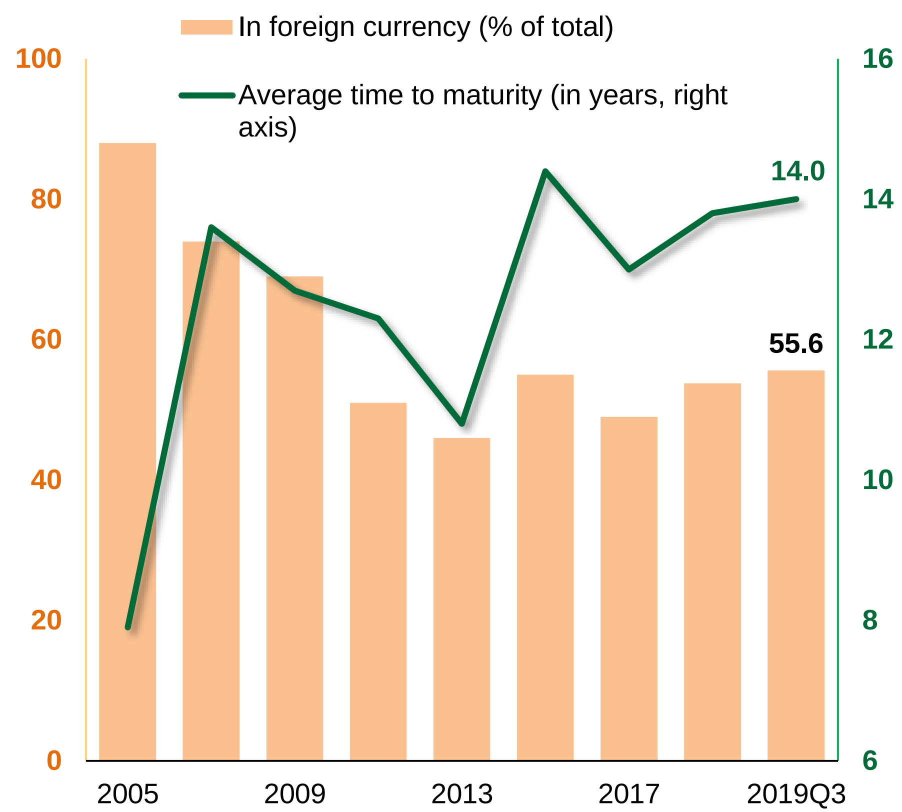
Central Government (CG) debt

(In % of GDP, end-period)



Currency and maturity composition of CG debt

(End-period)

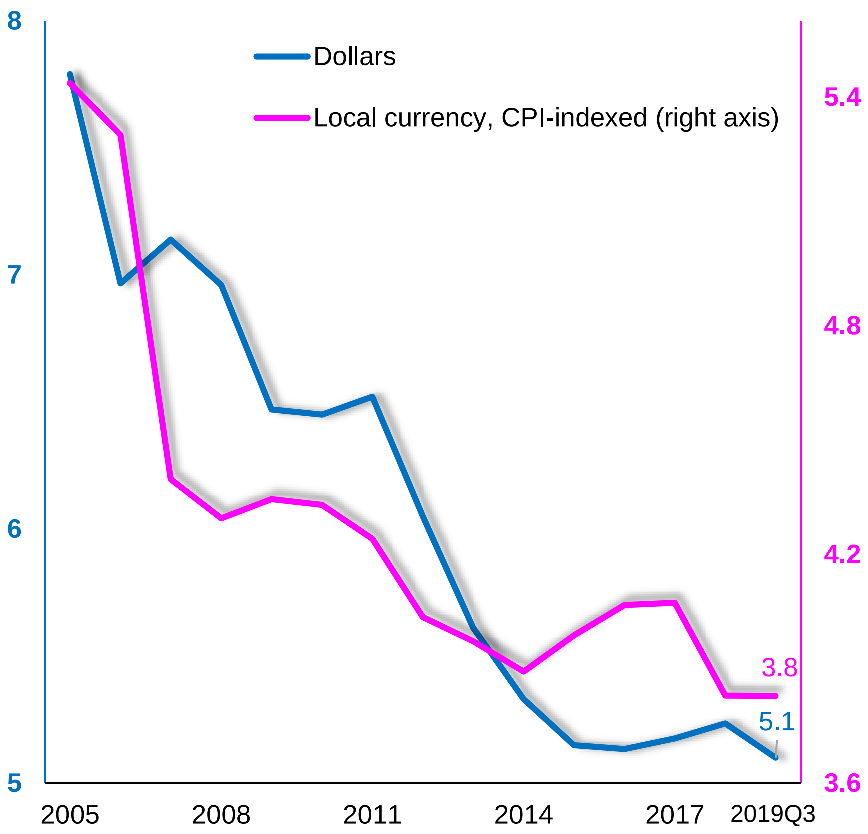


Source: *Debt Management Unit, Ministry of Economy and Finance*

…while keeping borrowing costs subdued and risk spreads in line with better-rated peers

Central Government (CG) borrowing costs

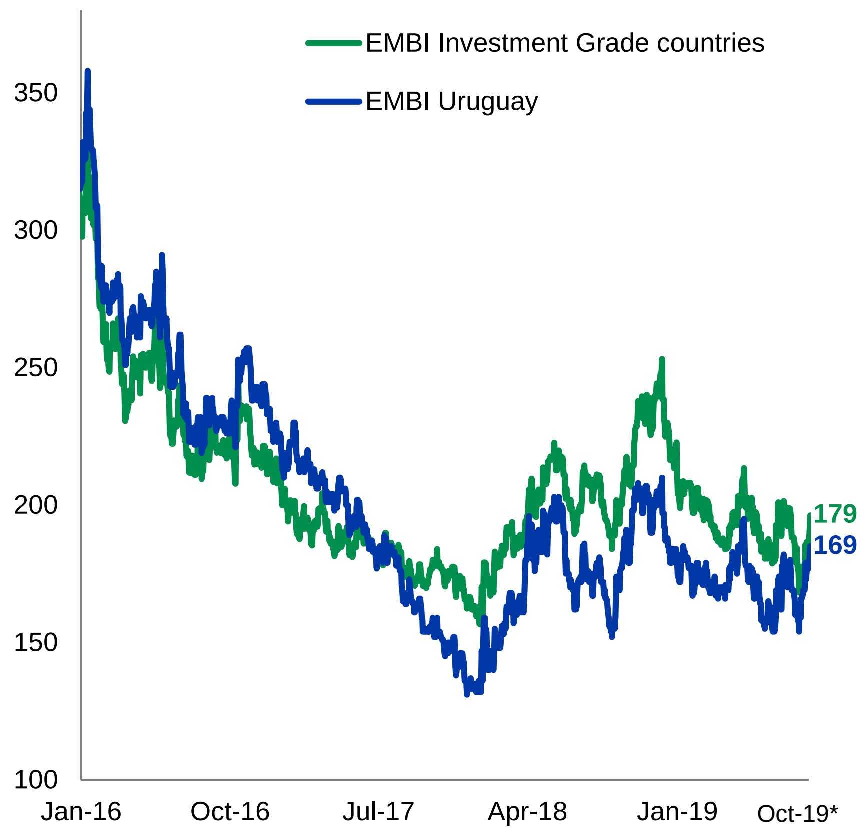
(Average interest rate on outstanding debt, in %)[1/]



1/ Weighted average

Sovereign risk premium

(In bps)



(*) As of October 30st

Sources: *Debt Management Unit, Bloomberg – JPM Index*

Government financing needs and funding plans

Flow of Funds

(in USD million, projected)[1/]

	Year 2019	Year 2020
FINANCING NEEDS	**4,428**	**3,338**
Interest Payments	1,609	1,578
Amortizations of Bonds and Loans	2,495	1,709
Primary Deficit (a)	323	51
FUNDING SOURCES	**4,428**	**3,338**
Multilateral Loans	409	300
Gross Bond Issuance (b)	3,571	3,250
Net Others	225	158
Use of Assets	223	-369
Memo Item: Net Bond Issuance (c)	**1,366**	**1,541**

1/ Note: Figures reported include the results of the global dollar bonds issuance and liability management operation (LMO) settled in October 2019
(a) Obligations coming due on a contractual basis. For 2019, also includes bonds repurchased in LMO and loan pre-payments.
(b) Excludes transfers to the Social Security Trust Fund. Projections based on latest Annual Budget Review (June 2019).
(c) Includes bonds issued domestically and in international markets.
(d) Positive value indicates a reduction in Central Government reserves.
(e) Corresponds to the difference between gross bond issuance and total bond amortization (debt payments coming due plus, bonds repurchased in LMO).

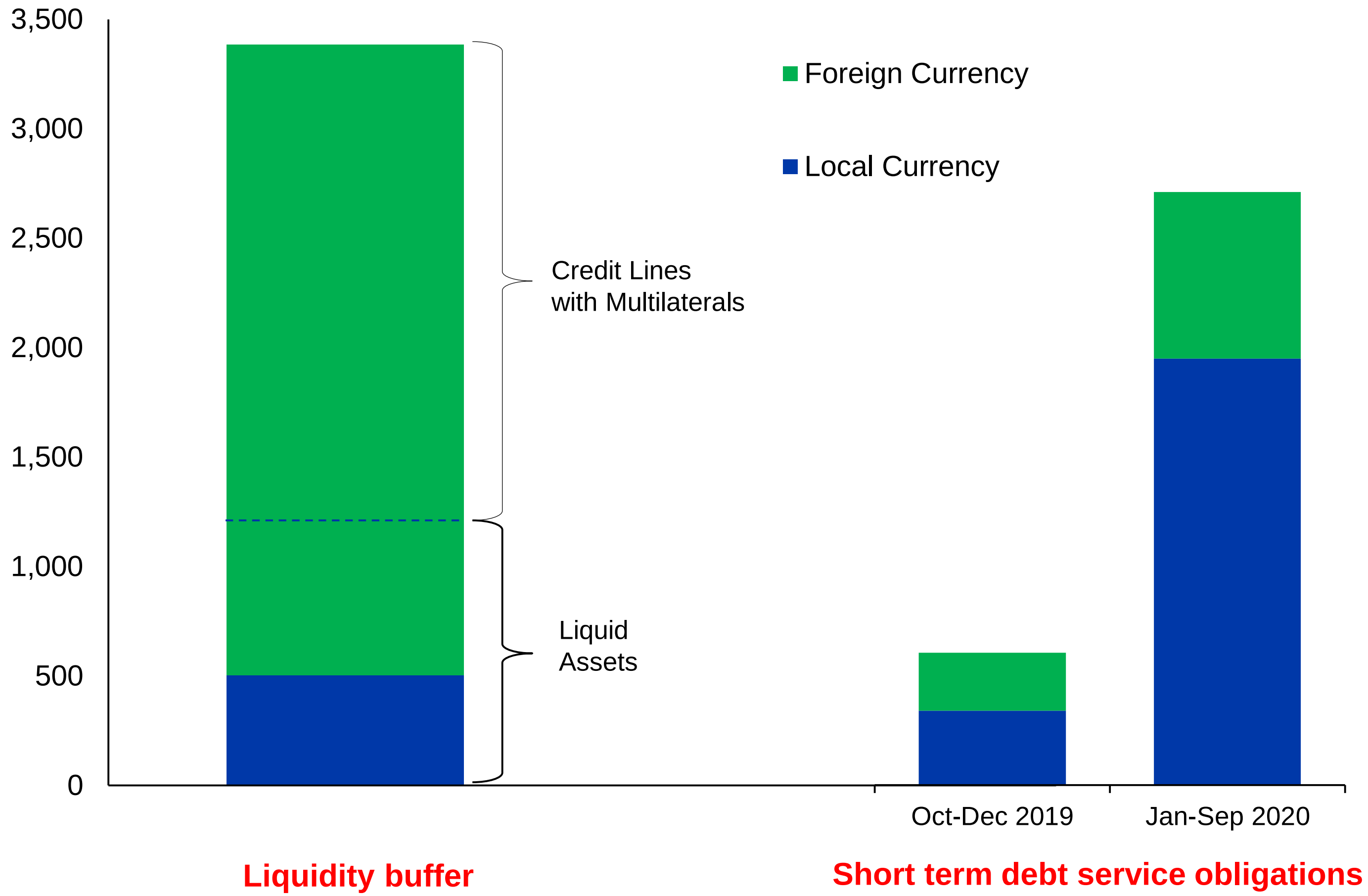
The goal is to balance the currency composition of debt issuance in terms of local and foreign currency, at fiscally responsible rates

Source: *Debt Management Unit, Ministry of Economy and Finance*

Manageable funding needs and pre-financing policy provides flexibility in the event of external shocks

Government`s liquidity buffers and short term debt service obligations[1/]

(In USD million, as of end-September 2019)[2/]

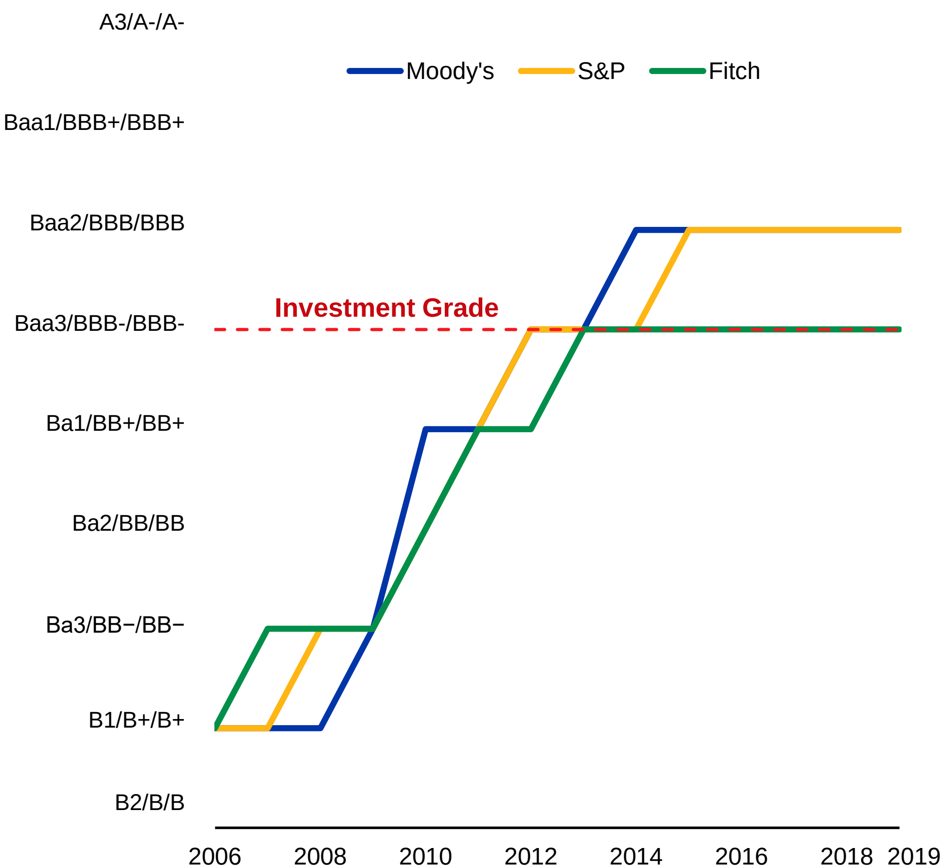


1/ Debt service includes amortization plus interest payments
2/ Does not include latest international bond issuance

Source: *Debt Management Unit, Ministry of Economy and Finance*

Uruguay's credit rating performance

Evolution of Uruguay's Sovereign Credit Ratings



Latest Credit Rating Actions

Moody's Investors Service	***August 2019.*** Confirmed Uruguay's rating at Baa2, Stable trend.
Fitch Ratings	***June 2019.*** Uruguay´s rating affirmed at BBB- with Negative outlook.
Standard & Poor's Ratings Services, McGraw Hill Financial	***May 2019.*** Affirmed Uruguay's rating at BBB, outlook remained stable.
DBRS	***January 2019.*** Confirms Uruguay's rating at BBB (low) with Stable trend.
R&I	***January 2019.*** Affirmed BBB rating, stable outlook.

Sources: *Moody's, S&P,R&I, DBRS and Fitch*

Key Highlights of the Uruguayan Economy

Sustained, albeit decelerating, growth in a volatile regional environment

Solid medium-term prospects on large-scale FDI and infrastructure projects

Strong institutional foundations, social cohesion and political stability

Steering inflation back to target, as exchange rate takes key role of shock absorber

Large international reserves and resilient government debt profile

Fiscal headwinds amid sluggish revenues and a rigid spending profile