

República Oriental del Uruguay

Investor Presentation

August 2021



Ministerio
de Economía
y Finanzas

Key Credit Highlights



1 COVID-19 Update: Swift Vaccination Plan Underway Amid Contained Virus Spread in the Country.

2 Gradual Economic Recovery, driven by Foreign Direct Investment, Stronger Industrial Production and Higher Commodity Exports.

3 Fiscal Targets Met in 2020 under New Fiscal Rule; Continued Targeted Support for Vulnerable Companies and Households while Aiming for Improved Structural Fiscal Balance in 2021.

4 Monetary Policy Focused on Reducing Inflation and Anchoring Inflation Expectations within Target, under an Enhanced Monetary Policy Framework.

5 Resilient Current Account Dynamics and Large International Reserve Buffers.

6 Government Forges Ahead with Structural and Pro-Market Reforms, including Social Security, Energy Markets and International Trade Integration.

7 Uruguay Remains One of the Top Global Performers on ESG Fundamentals; Government is Committed to Aligning Debt Management Strategies with Climate Action Policies.

8 Sovereign Financing Strategies Focused on De-Risking Debt Portfolio in a Cost-Efficient Way, with a Focus on Developing Local Currency Domestic Markets

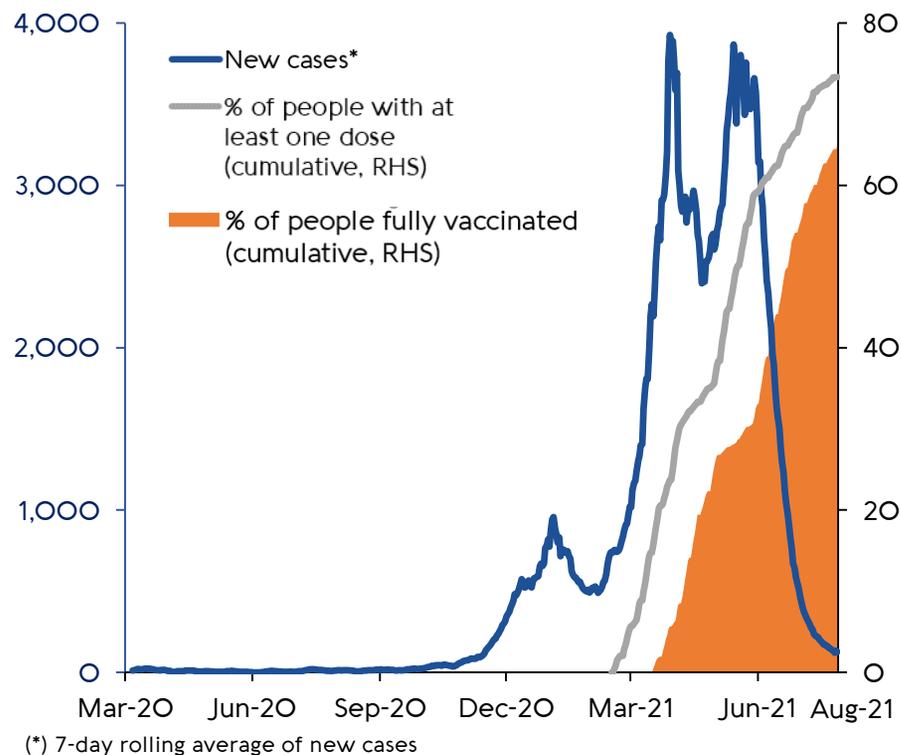
1 After peaking in April-June 2021, virus spread has decreased significantly through swift vaccination campaign



Vaccination program has been quick and encompassing: more than 74% of the total population already received at least one dose

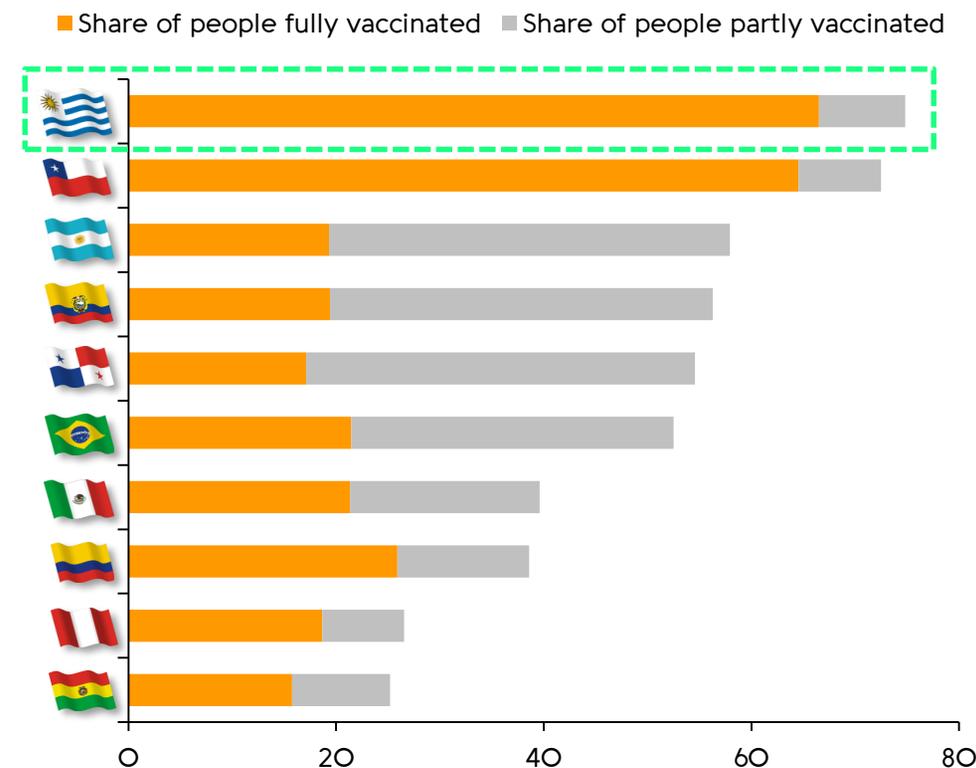
Evolution of Covid-19 cases and vaccinations

(As of August 9th, 2021)



People vaccinated, by number of dose

(Share of total population, as of August 9th, 2021)



Vaccine Program Update as of August 11th, 2021

- Total purchase of 6.95 million vaccine doses (Sinovac, Pfizer and AstraZeneca), plus a donation of 500,000 Pfizer from the United States.
- Starting in August, 2021, Uruguay will apply a third booster dose of Pfizer vaccines for all those who received previously two doses of Sinovac (approximately 1,500,000 people).

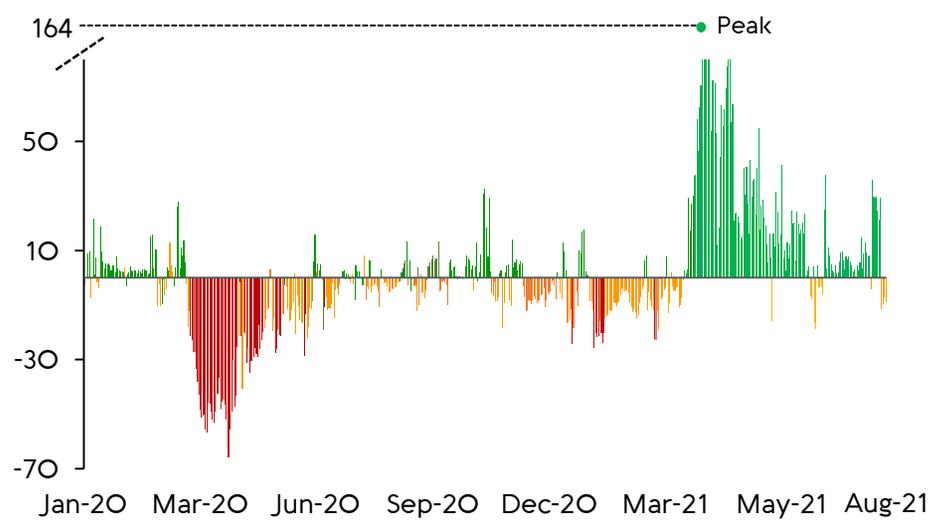
Leading economic indicators suggest that a recovery is underway amid higher social mobility, with a positive impact on fiscal revenues



Industrial production is recovering strongly, and tax revenues remain resilient

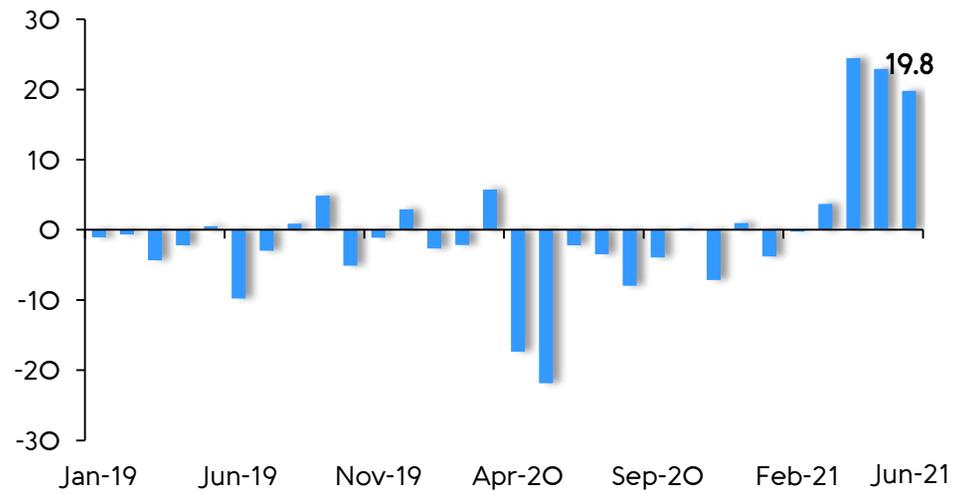
Gasoline Demand (1)

(Rolling 7-day average, YoY change, in %)



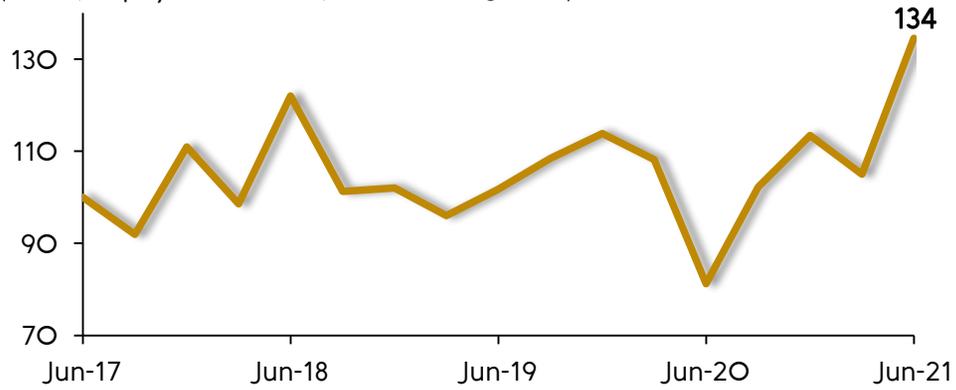
Manufacturing Production (2)

(YoY real change, in %)



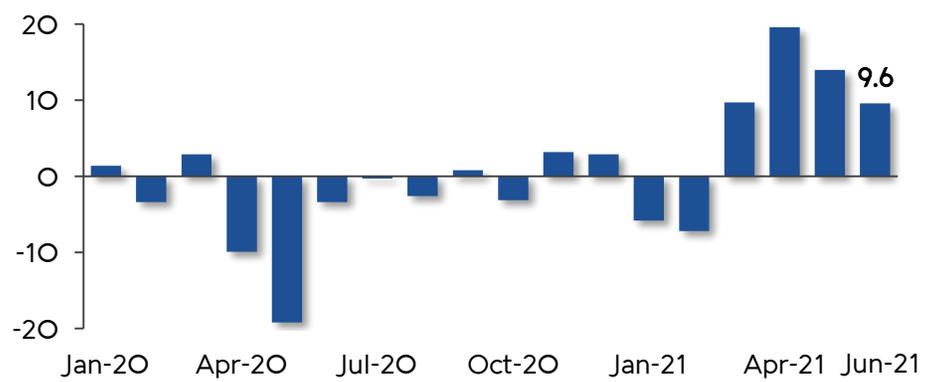
Investment in Machinery and Equipment (3)

(Index, in physical volume, base 100 - Jun-17)



Tax Revenue Collection (4)

(YoY real change, in %)



(1) Source: Ministry of Economy and Finance.

(2) Source: National Statistics Institute

(3) Source: Chamber of Industries of Uruguay.

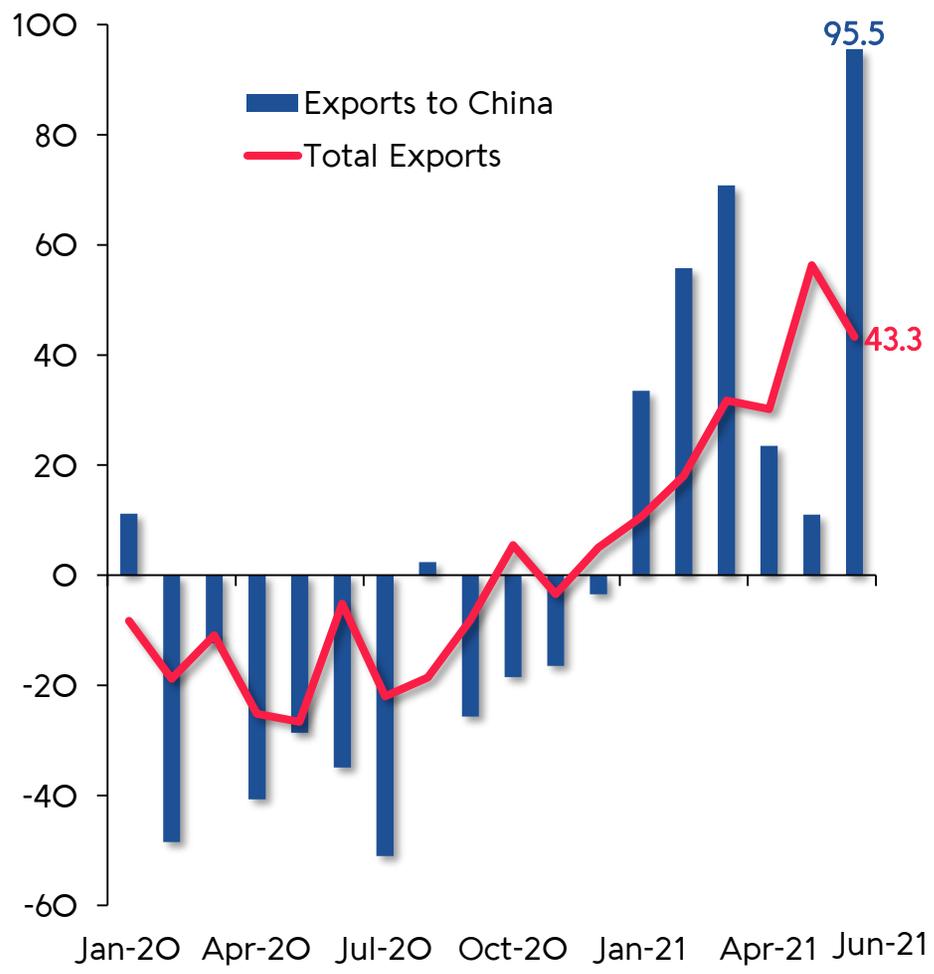
(4) Source: Tax General Directorate (Ministry of Economy and Finance)

2 Higher commodity prices and goods exports are lifting the agricultural sector

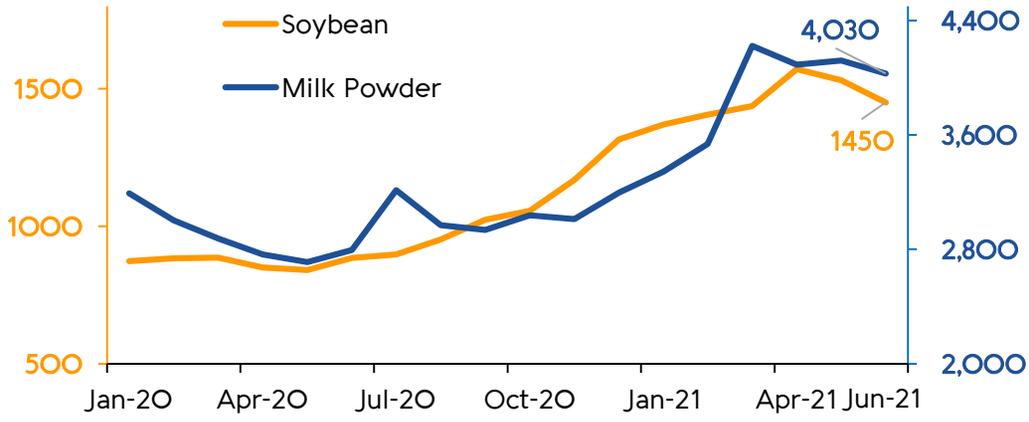


Tailwinds coming from higher commodities prices and export demand from China, although increasing oil prices have tempered improvement in terms of trade

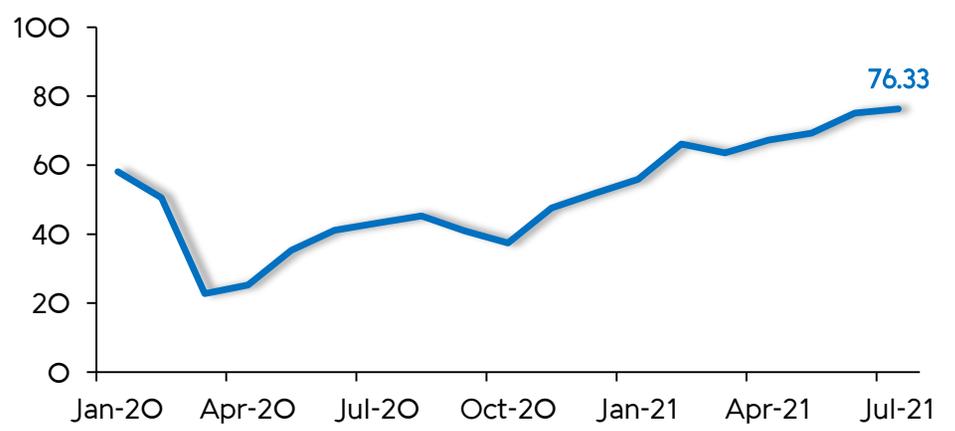
Export of Goods (1)
(YoY change in dollar value, in %)



International Prices of Soybean and Milk Powder (2)
(US\$/ton, end-of-month)



Brent Oil Price (3)
(US\$/barrel, end-of-month)



(1) Source: Uruguay XXI. Includes exports from Free Trade Zones to the rest of the world.
 (2) Source: Bloomberg; National Institute of Milk of Uruguay.
 (3) Source: Bloomberg.

2 Ramp up in foreign direct investment and new tax incentives for fixed capital formation underpin the construction sector



According to the latest *Rendición de Cuentas Law*, an increase in fixed capital investment of 18% in real terms is expected in 2021

UPM's Pulp Mill

- UPM will invest a total of **US\$ 3 billion (5.5% of GDP)** to build a 2.1 million-tonne greenfield eucalyptus pulp mill in central Uruguay.
- **Proceeding according to schedule.** More than 3,000 people are currently working at the construction site.

New tax breaks for big-ticket construction projects and social housing



✓ Recent changes to the **General Investment Promotion Regime (COMAP)** providing more tax incentives encouraging employment creation (housing, offices and urbanization construction) and clean technologies.



✓ Foreign investors are granted the same incentives as local investors: there is no tax discrimination or restrictions for transferring profits abroad.

Central Railway Project

- **US\$ 1 billion investment** in a Central Railway that will run from the city of Paso de los Toros to the port of Montevideo (273 km long).
- **Public-Private-Partnership (PPP)** modality.



Investment projects presented under COMAP regime (Cumulative)

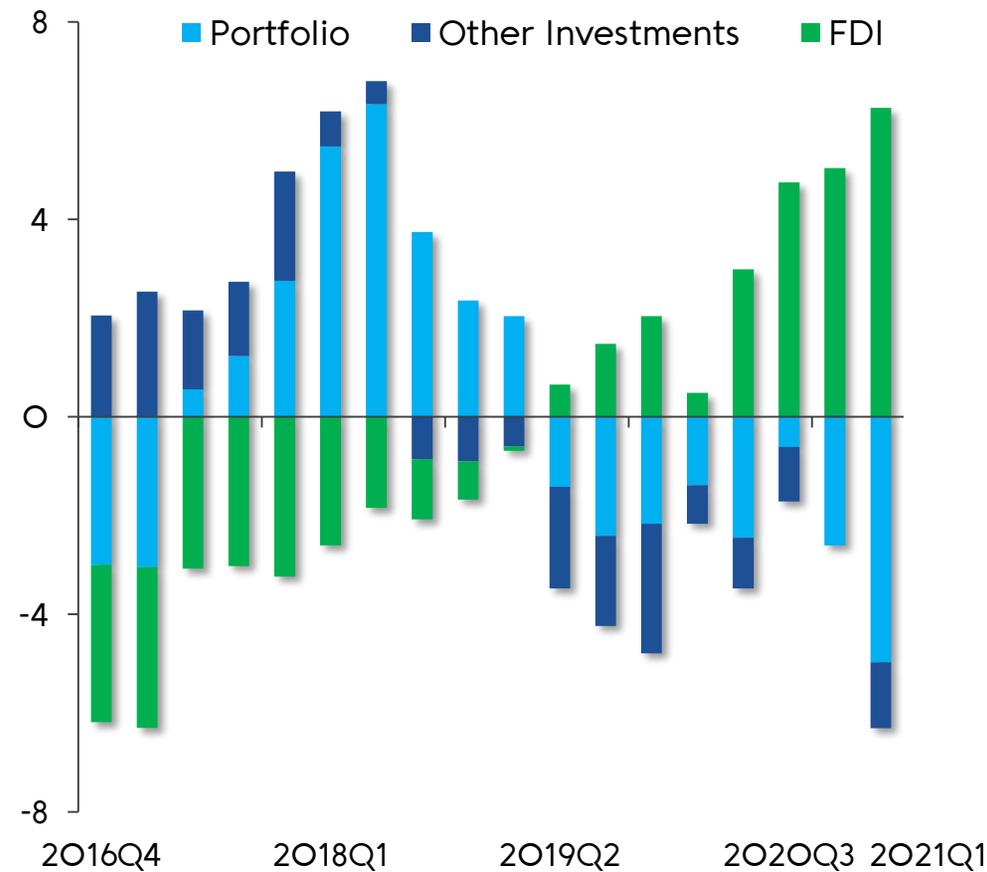


Uruguay has become an attractive destination for foreign direct investment

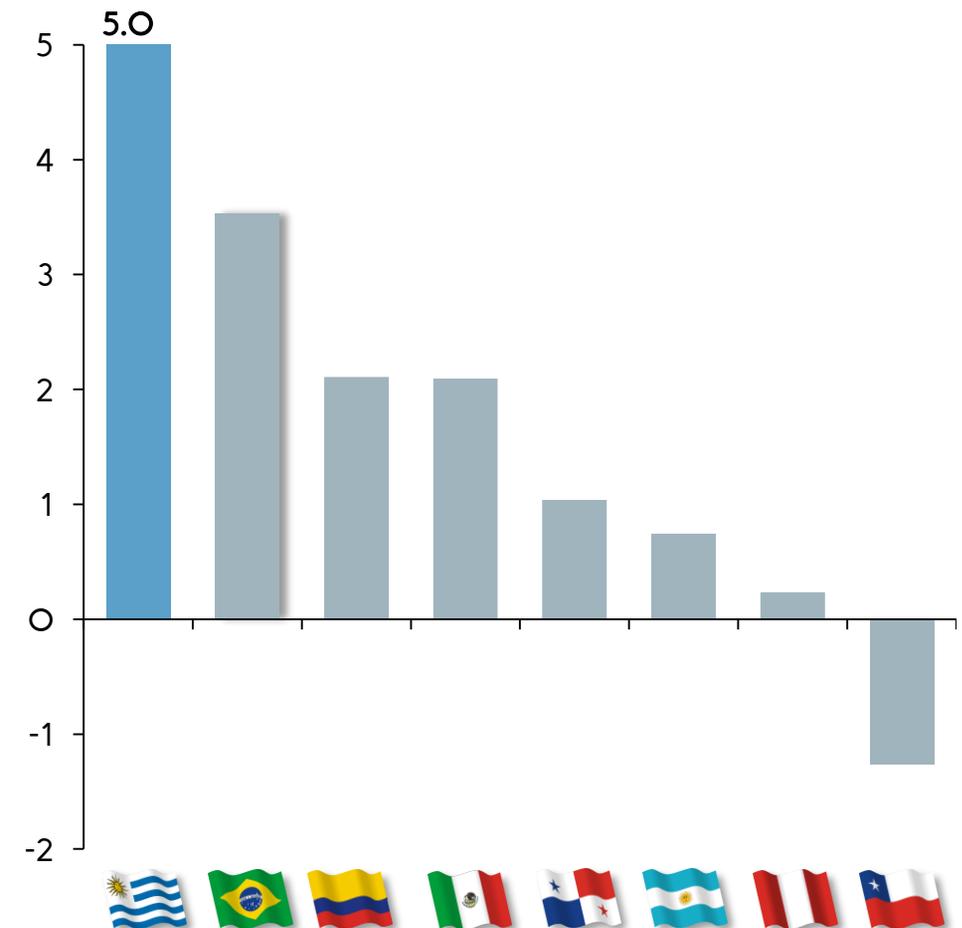


Progress on UPM investment is already showing up on FDI inflows

Key Components of Net Capital Inflows (1)
(Rolling 4-quarters, in % of GDP)



FDI Net Inflows in LatAm in 2020 (2)
(In % of GDP)



(1) Source: Central Bank of Uruguay. "Others" includes Other Investments and Financial Derivatives from the Financial Account of the Balance of Payments. Changes in Central Bank reserve assets are not included.

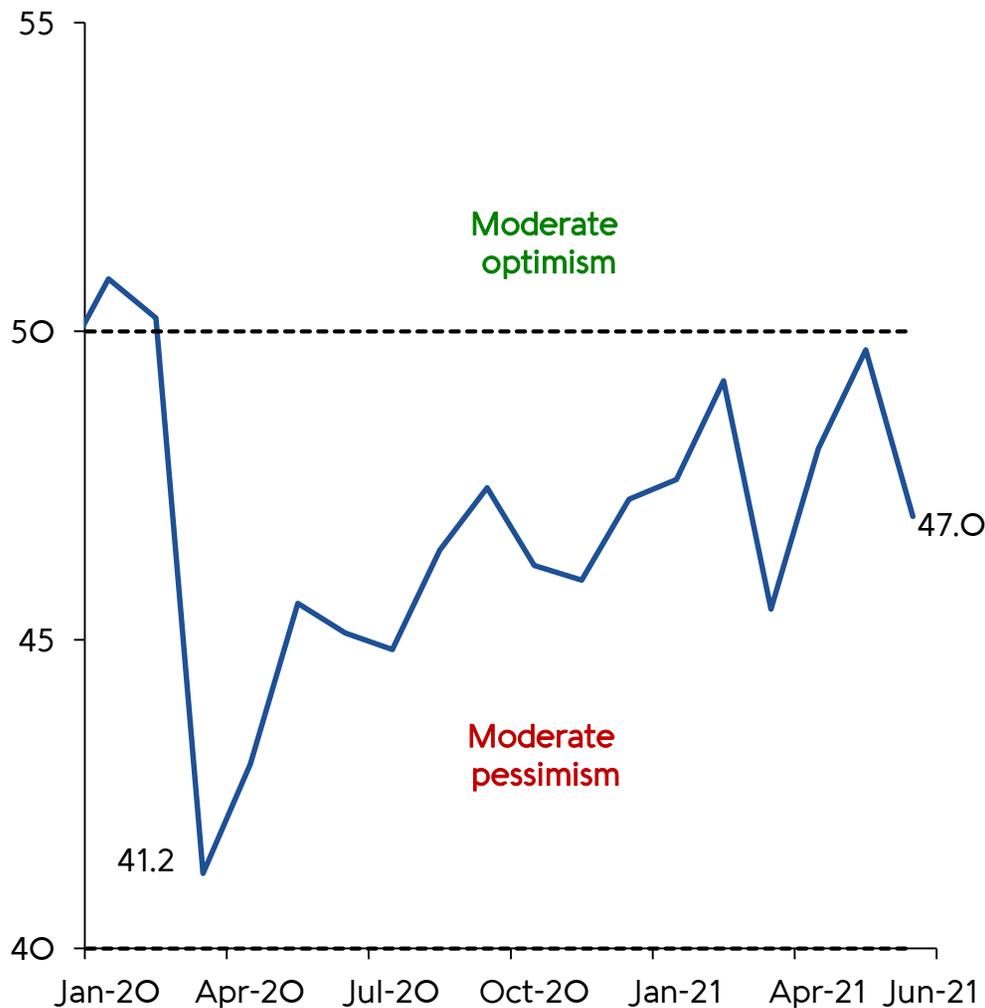
(2) Source: World Investment Report 2021, United Nations and WEO April 2021, except for Uruguay that uses Central Bank data.



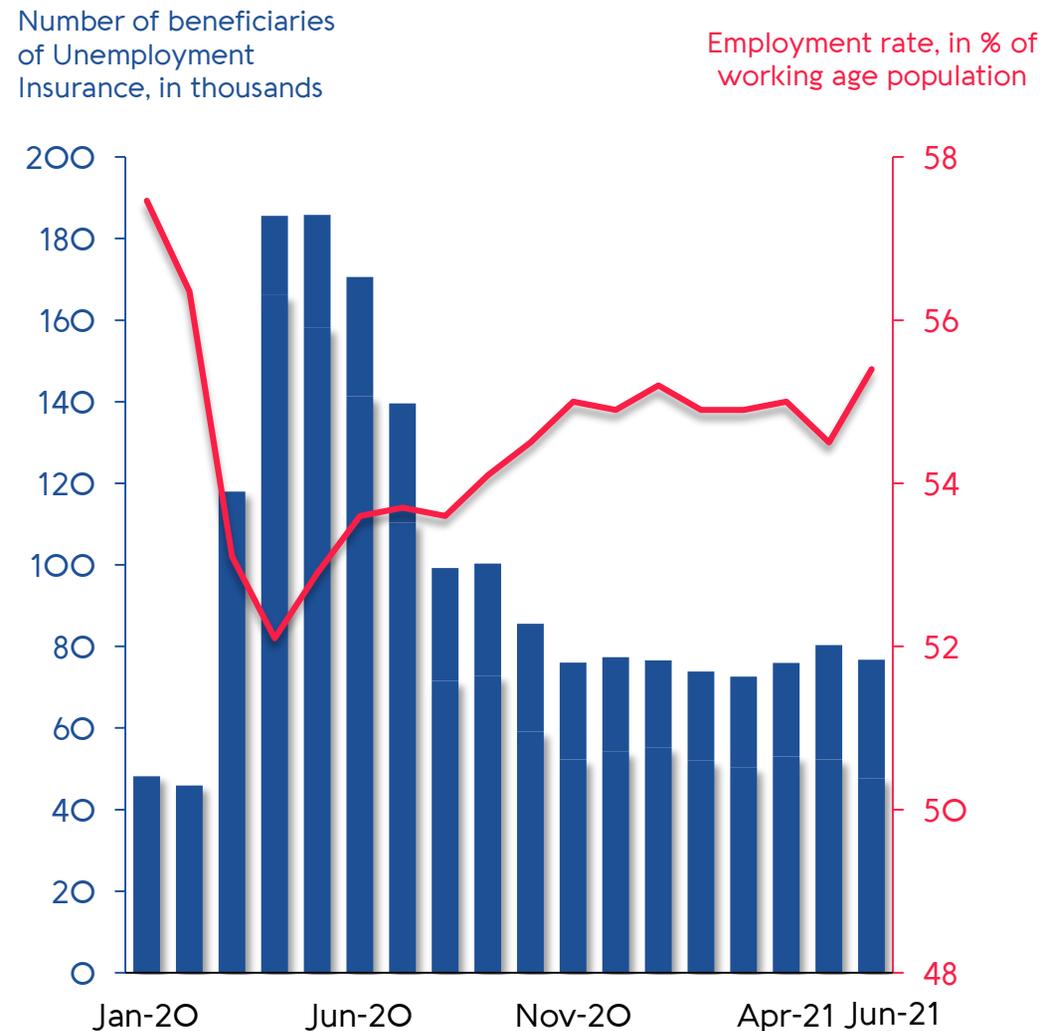
2 Recovery in consumer confidence lags encouraging signs in investment and export prospects

Consumer confidence has still to recover on a firmer footing, while labor indicators are improving in the margin

Consumer Confidence Index (1)



Unemployment Insurance and Employment Rate (2)



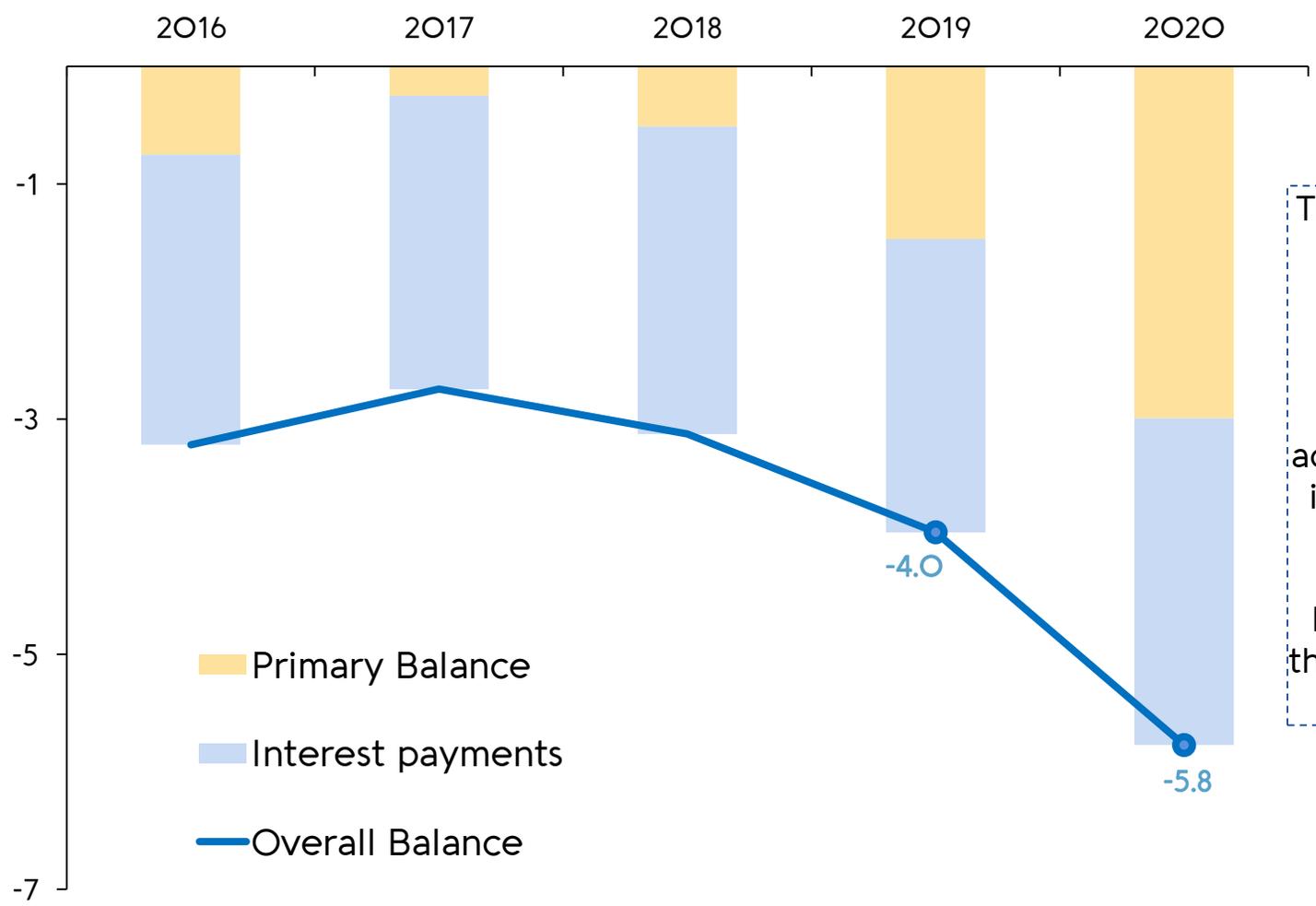
(1) Source: SURA Chair of Economic Confidence - Catholic University of Uruguay and Equipos Consultores Consulting firm.
(2) Source: Social Security Bank of Uruguay, Ministry of Labor and Social Security and National Institute of Statistics.

Fiscal targets met in 2020 on the back of disciplined policies and new fiscal framework...



The government honored its pledge to rationalize fiscal accounts by restraining discretionary expenditure, while allocating resources to contain Covid-19 impact on households and firms

Central Government Fiscal Balance ⁽¹⁾
(In % of GDP)



The Government met the 2020 target set in the Budget Law, even accounting for the re-basing of GDP (using previous national accounts estimates, which implies a lower nominal GDP, the fiscal balance observed would have been -6.3% of GDP, and the fiscal target was set at -6.6%).

(1) Does not include extraordinary inflows to the Social Security Trust Fund.
Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay

...and all three pillars of the new fiscal rule were met last year, despite rigid government spending structure.



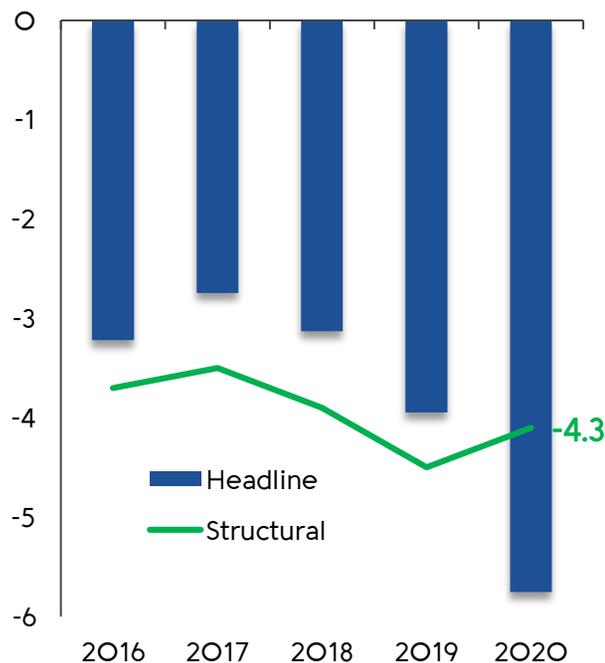
Austerity measures based on more efficient discretionary spending, restrictions on public sector hiring and spending oversight allowed to meet all three pillars of the newly-adopted fiscal rule

✓ **Structural balance target**, to account for business cycle fluctuations and one-off/temporary spending and revenue items

✓ **Cap on real growth in primary expenditure** in line with potential real economic growth

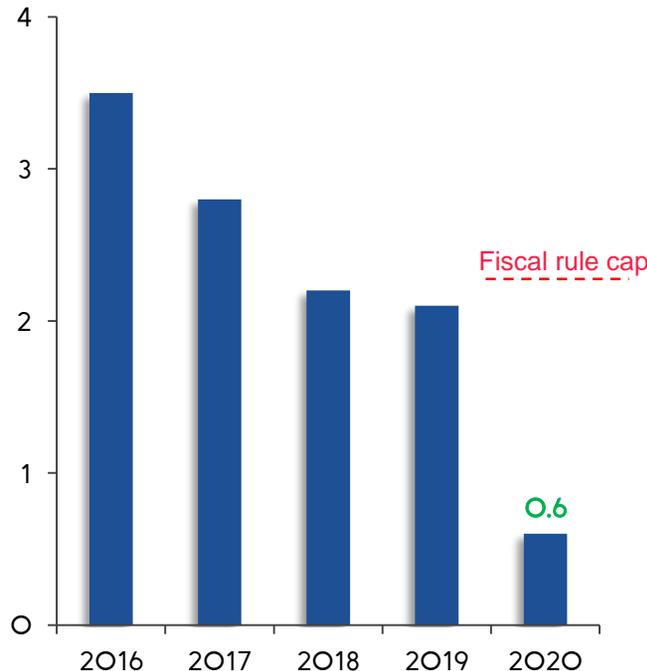
✓ **Binding maximum level of annual net indebtedness** in absolute dollar amount

Headline (1) and Structural Balance (2)
(In % of GDP)



The target for the structural fiscal balance in 2020 was set at -4.4%

Primary Spending
(Annual real variation, in %)



The cap for real expenditure growth in 2020 was set at 2.3%

Net Indebtedness in 2020
(US\$ mm)

(1) Gross Borrowing (Bonds + Loans)	5,891
(2) Amortizations (Bonds + Loans)	2,205
(3) Accumulated Financial Assets	574
Net Indebtedness = (1) - (2) - (3)	3,113

Legal limit on net indebtedness was set at US\$ 3,500 million

(1) Does not include extraordinary inflows to the Social Security Trust Fund.

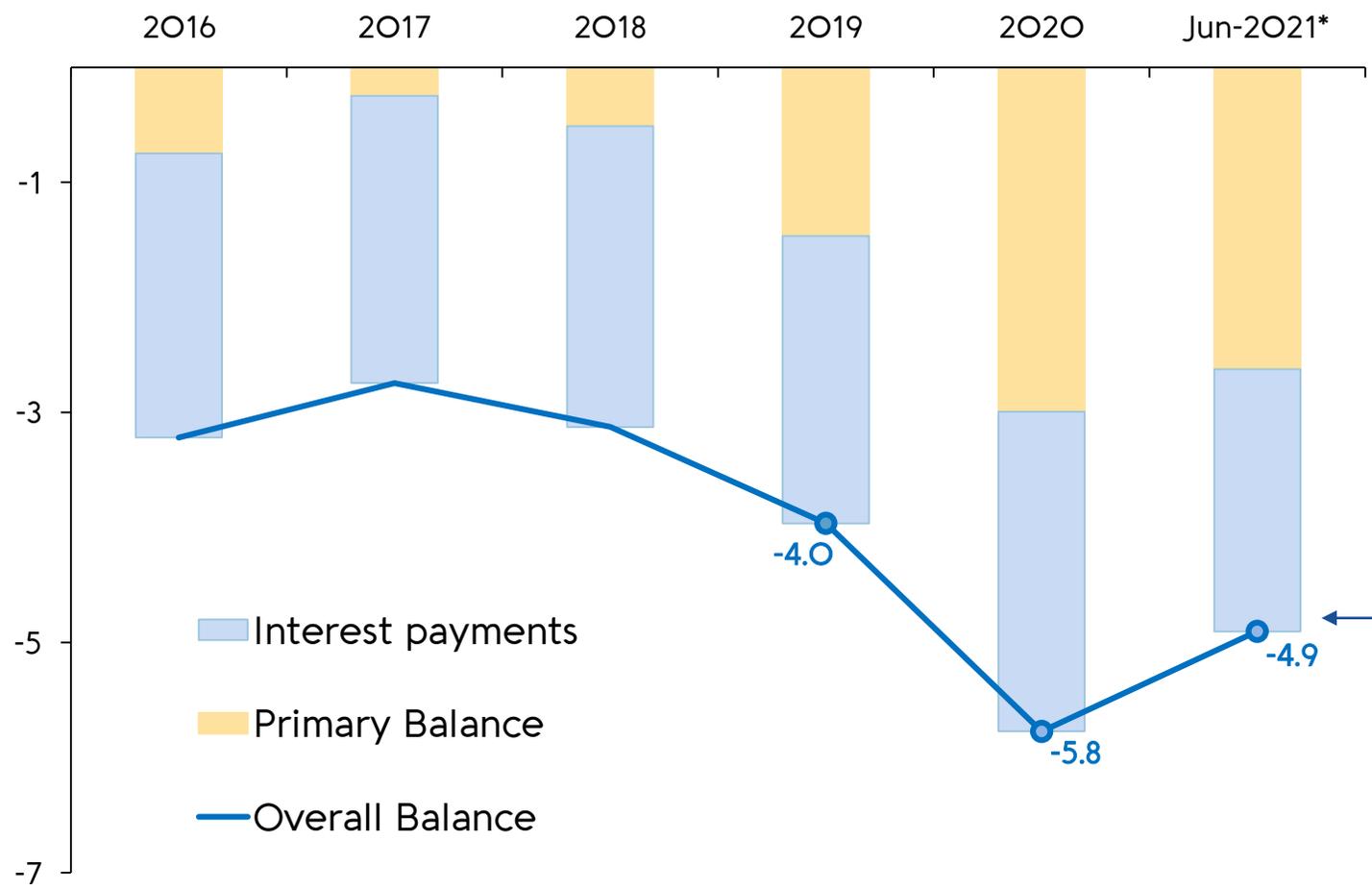
(2) The Structural Balance is the fiscal balance that accounts for business cycle fluctuations and one-off/temporary spending and revenue items.

For 2021, the government is targeting an improvement in the fiscal balance...



Even accounting for additional fiscal measures to cope with COVID-19, the government aims to shore up underlying public finances in 2021 to contribute to stabilize debt burden

Central Government Fiscal Balance (1)
(In % of GDP)



Central Government deficit for 2021 is currently projected at **4.9%** of GDP, given an assumed real GDP growth of **3.5%**.

(*) Last 12 months.

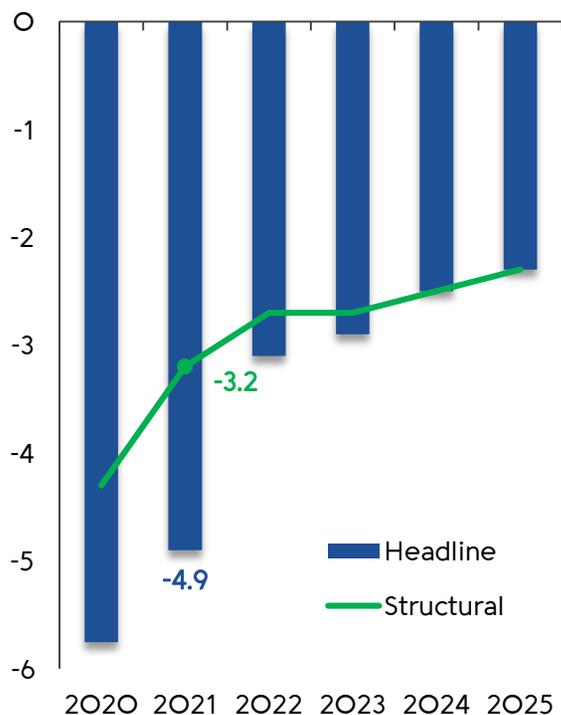
(1) Does not include extraordinary inflows to the Social Security Trust Fund.
Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay

... and continue the consolidation of structural public finances, given the augmented net indebtedness limit.

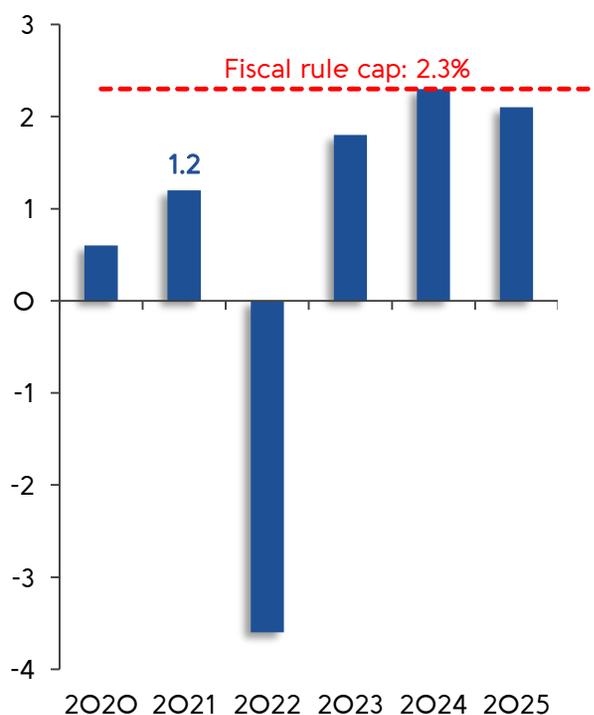


The structural deficit of Central Government is projected to decline around 1 p.p of GDP by 2021

Headline⁽¹⁾ and Structural Balance⁽²⁾
(In % of GDP)



Primary Spending
(Annual real variation, in %)



Net Indebtedness in 2021
(US\$ mm, projected)

(1) Gross Borrowing (Bonds + Loans)	4,917
(2) Amortizations (Bonds + Loans)	2,003
(3) Accumulated Financial Assets	152
Net Indebtedness = (1) - (2) - (3)	2,762

The target for the structural fiscal balance in 2021 was set at -3.2%

The cap for real expenditure growth was set at 2.3% for each year

Augmented legal limit on net indebtedness:
US\$ 2,990 million

(1) Does not include extraordinary inflows to the Social Security Trust Fund.

(2) The Structural Balance is the fiscal balance that accounts for business cycle fluctuations and one-off/temporary spending and revenue items.

Monetary policies focused on bringing down inflation and anchoring inflation expectations within target



Enhancements to monetary policy framework and communication strategy to anchor inflation expectations

1

Commitment to Lower Inflation

- Key focus is to lower inflation and anchor inflation expectations within the target band in a sustainable way, under a floating exchange rate regime.

2

Short-term Interest Rate as new Policy Instrument

- New monetary policy framework under inflation targeting regime.
- Designed to improve market signals and allows for fine-tuning of monetary policy at higher frequency.

3

Enhanced Transparency in Communication

- Higher frequency in Monetary Policy Committee (MPC) meetings, published minutes of MPC, relaunched inflation survey, among others.
- Publication of Central Bank's inflation projections and survey of firms' inflation expectations.

4

Counter-cyclical Monetary Policy Stance

- To respond to the Covid-19 health emergency, monetary policy has been in an expansionary mode.
- As the pandemic has eased, the Central Bank announced on August 11th a gradual shift towards a more contractionary monetary policy stance as it had signaled it would do (increased the reference rate by 50 bps, to 5%).

5

Financial De-Dollarization

- The search for the Peso as a quality currency: rebuilding markets in local currency to mitigate financial dollarization and developing FX derivatives markets.

4

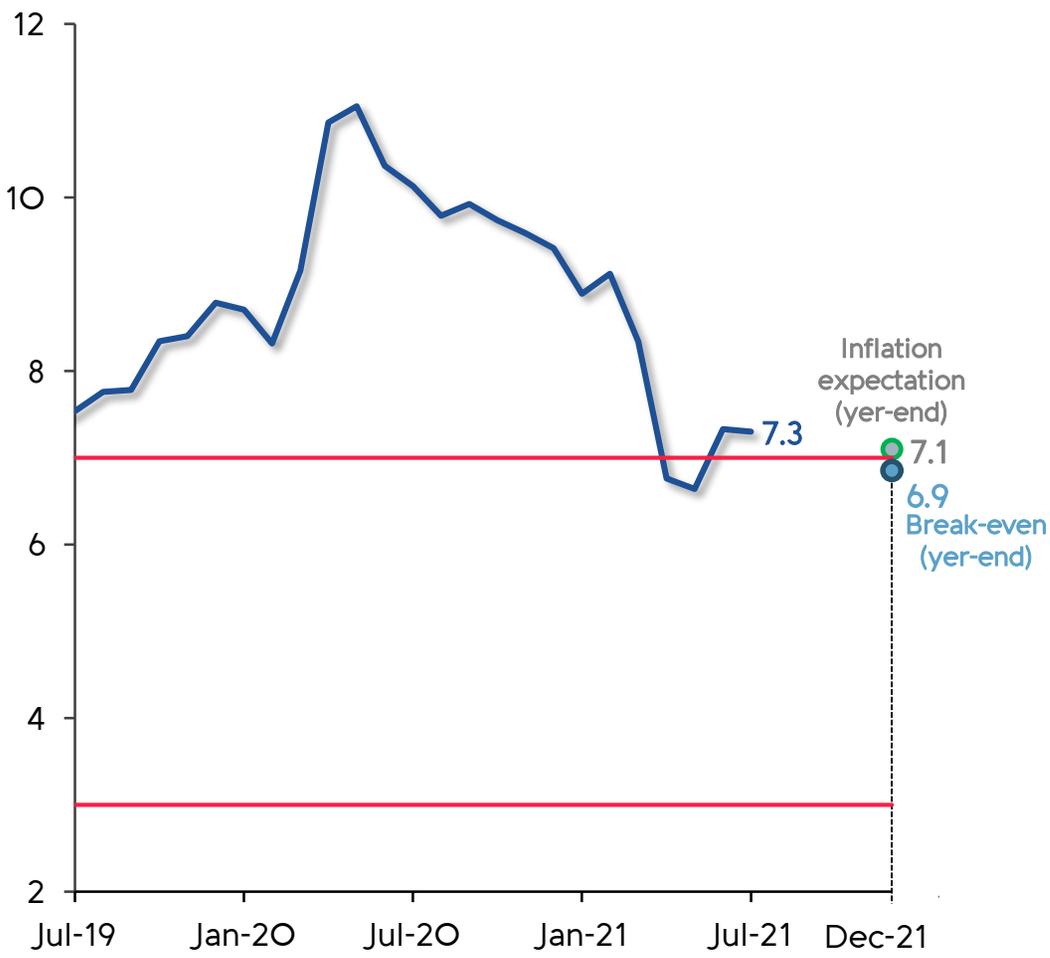
Disinflation process consistent with countercyclical monetary policy and new wage-setting guidelines for the private sector prioritizing employment creation



Inflation hovering around the upper ceiling of target band in recent months: negative output gap has eased non-tradable inflation dynamics, although with temporary upward pressures from fuel prices

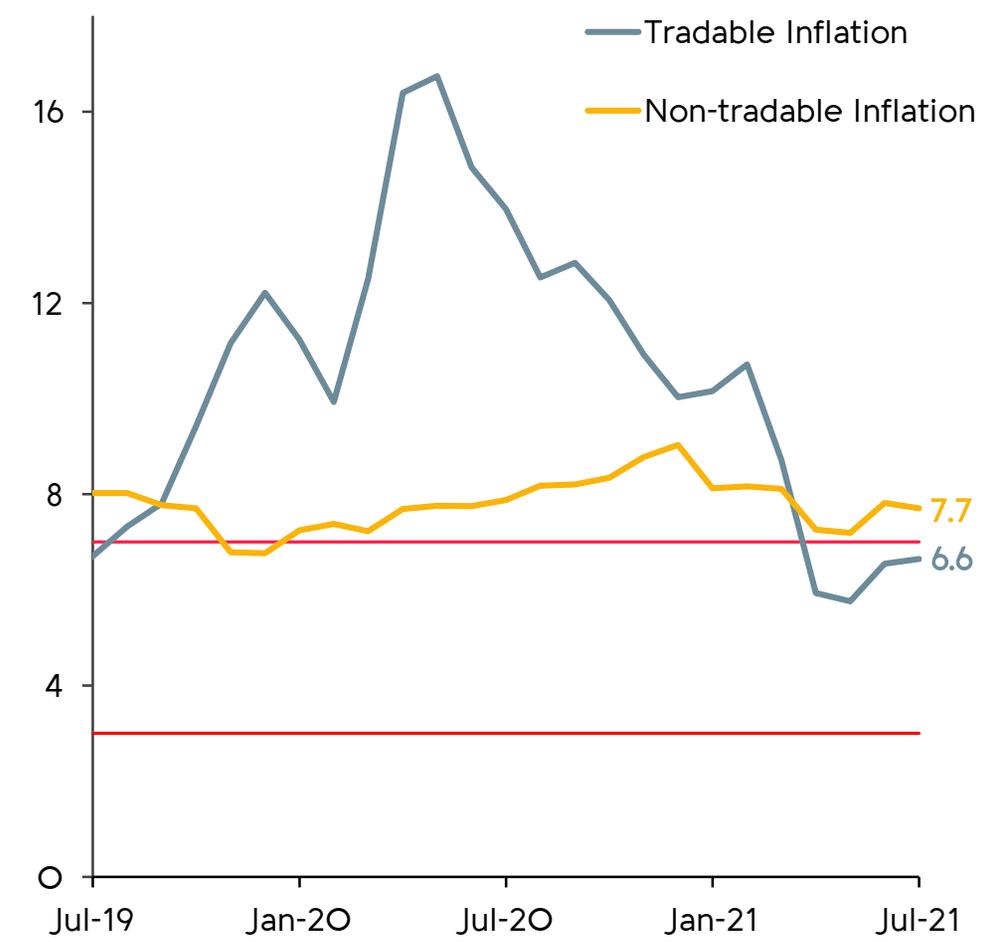
Headline Inflation (1)

(YoY, in %)



Tradable and non-tradable inflation components (2)

(YoY, in %)



(1) Source: National Institute of Statistics and Central Bank of Uruguay. Median inflation expectations based on Central Bank's market survey as of July 2021. Break-even data point based on CUI and ITLUP curves from BEVSA, 6-month maturity node as of August 16, 2021.

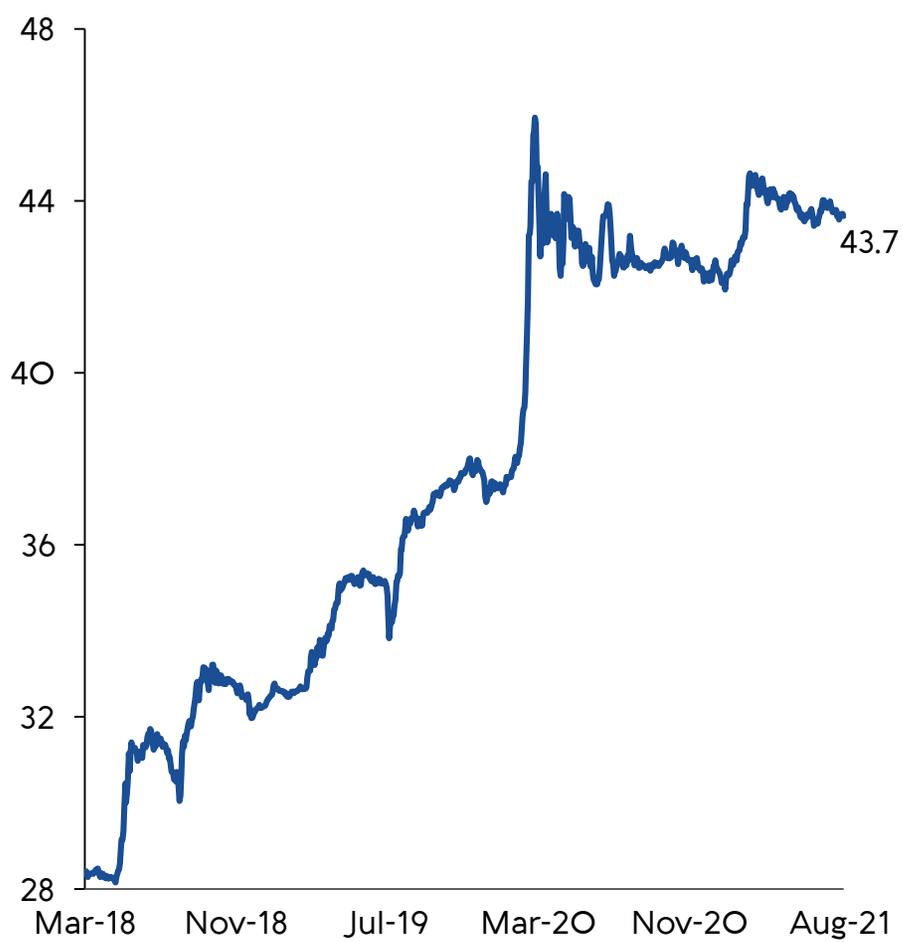
(2) Source: Central Bank of Uruguay

Mild nominal depreciation of the peso year-to-date compared with other Latin American countries

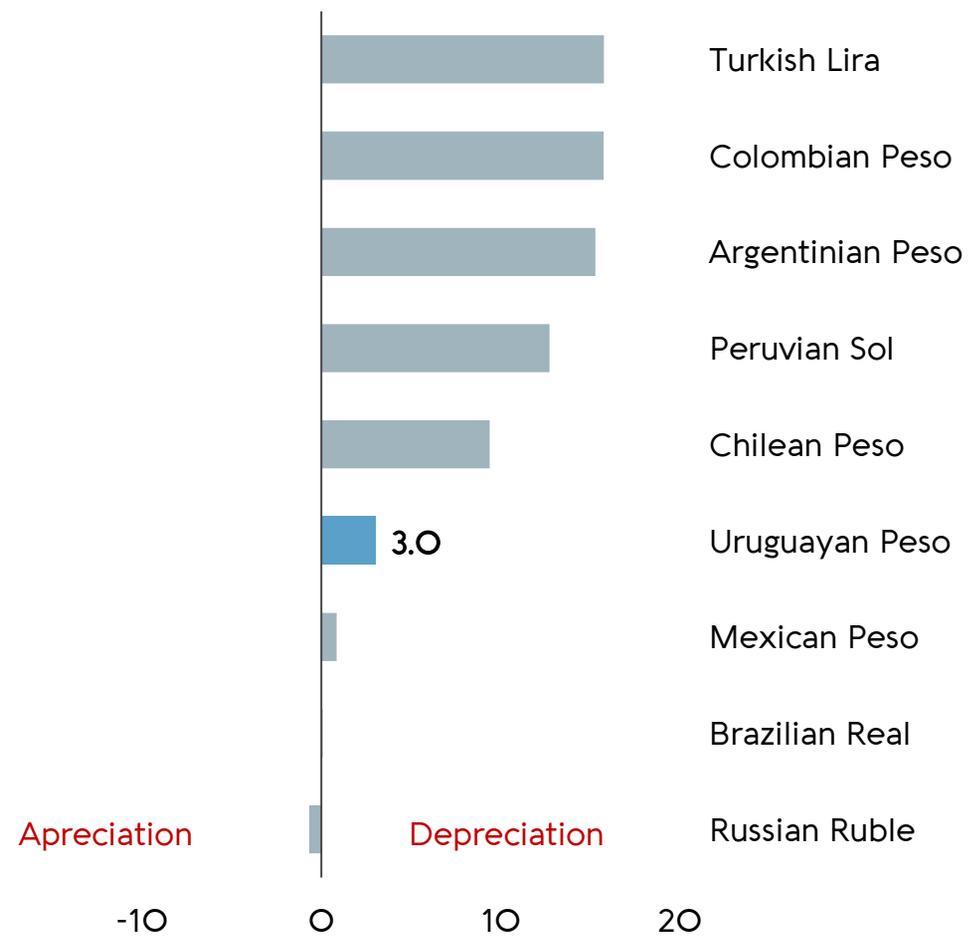


The Central Bank has intervened as needed on both sides of the forex market to smooth out undue volatility

Nominal Exchange Rate in Uruguay (1)
(pesos per dollar, as of August 9th, 2021)



Currency Performance vs USD (2)
(% change in nominal exchange rate YTD, as of August 9th, 2021)



(1) Source: Central Bank of Uruguay
(2) Source: Bloomberg

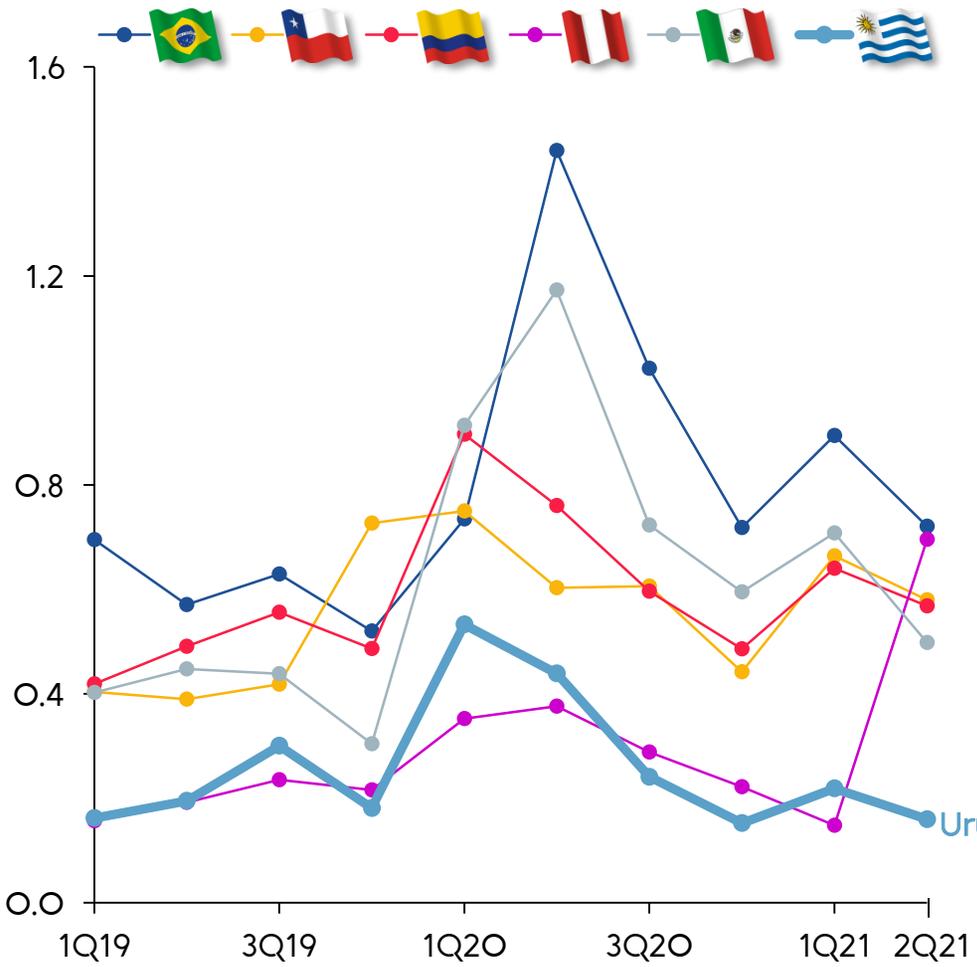
Significant decline in FX volatility over the past few months, with a low correlation to external risk drivers



Overall recovery in the real exchange rate more than offset the regional currency depreciation

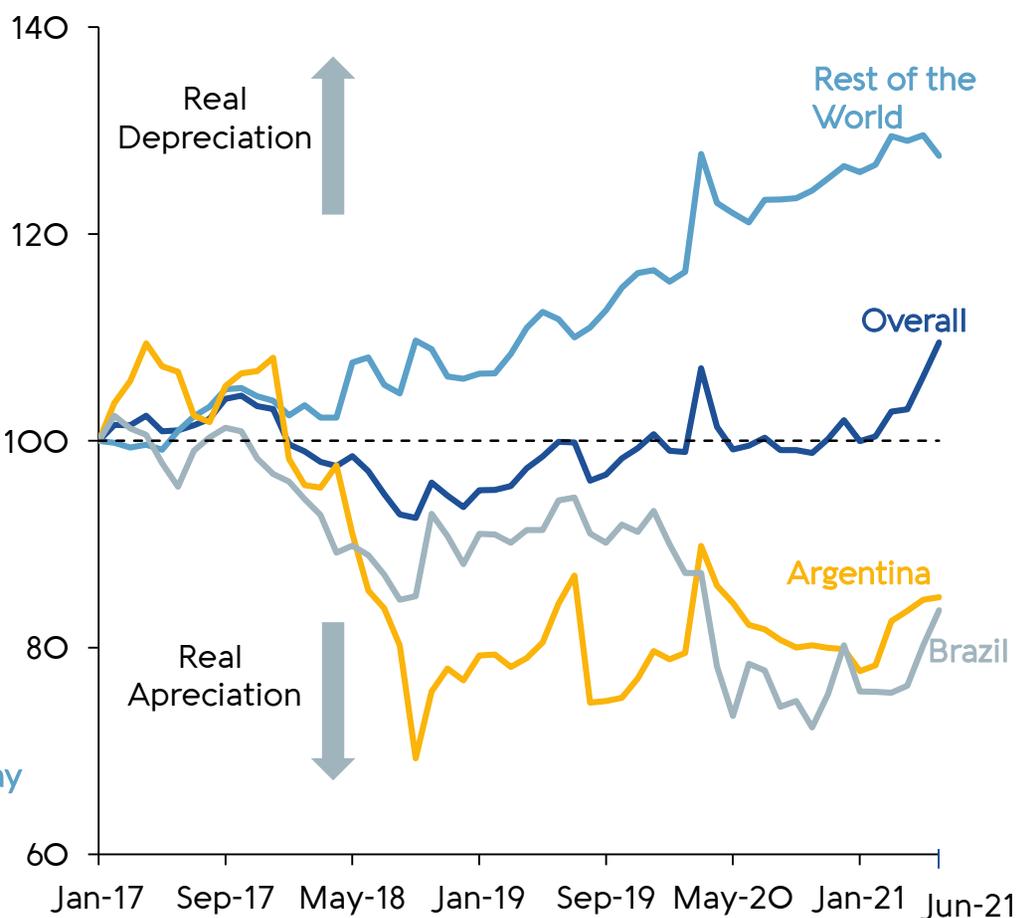
Nominal Exchange Volatility in Latam ⁽¹⁾

(Quarterly average of absolute value of daily percent changes)



Real Effective Exchange Rate of Uruguay vis-à-vis Other Regions or Countries ⁽²⁾

(Index base 100 = January 2017)



(1) Source: ECLAC, based on Bloomberg
(2) Source: Central Bank of Uruguay

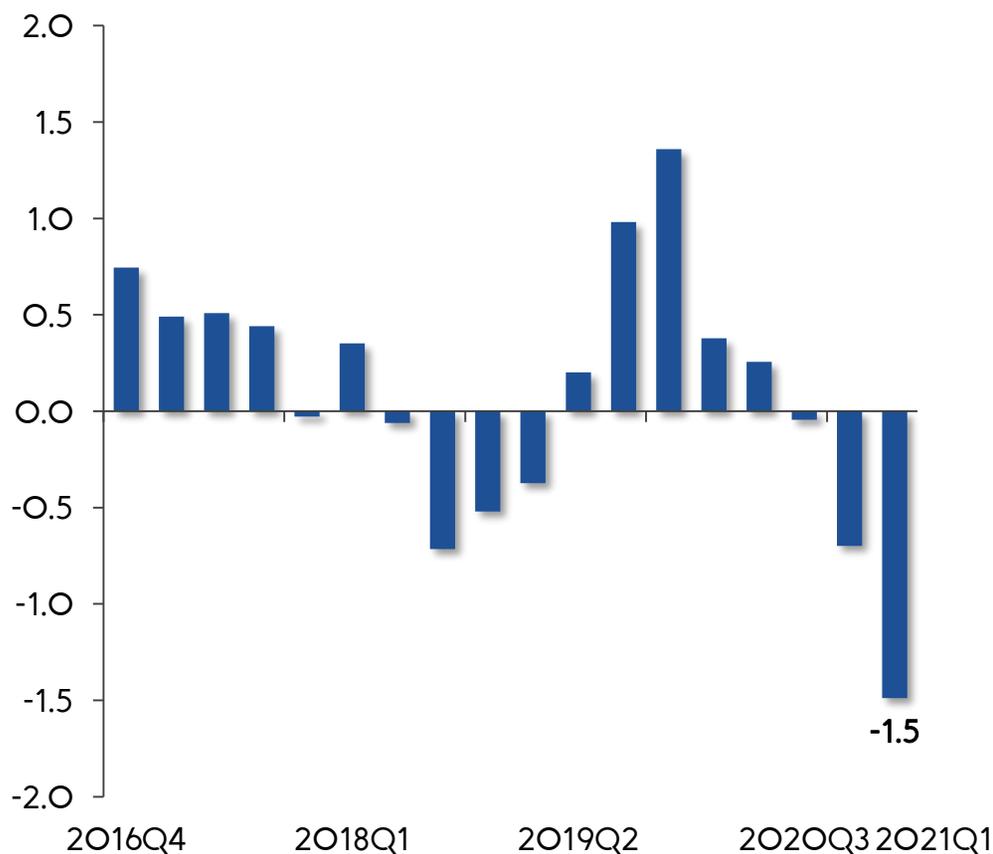
Moderate current account deficit and large international reserves



Mild deterioration in CAB, on the back of lower service exports, higher capital imports and higher foreign dividend payments; sizable international reserves provide large external buffer

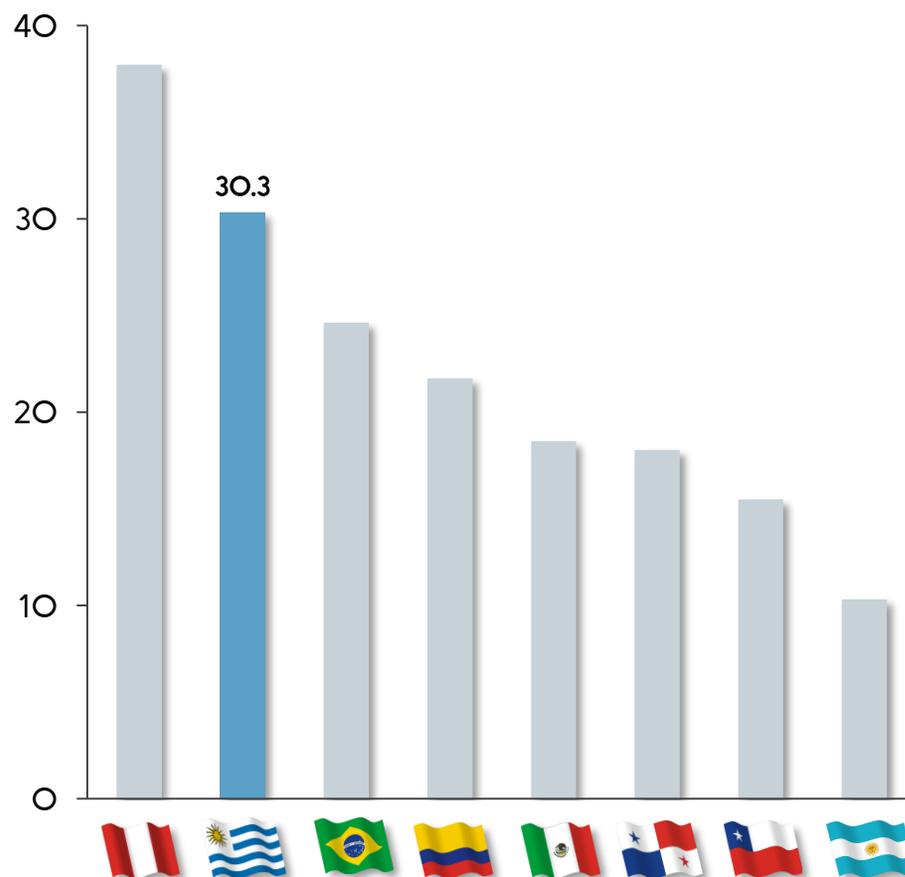
Current Account Balance of Uruguay (1)

(Rolling 4-quarters, in % of GDP)



International Reserves in Latam (2)

(In % of GDP, as of end-2020)



(1) Source: Central Bank of Uruguay.

(2) Source: Official National Statistics and International Monetary Fund. Note: Regional and country specific information is as aggregated or reported, as applicable.

Government forges ahead with structural and market-friendly reforms



Addressing pre-pandemic structural shortcomings will be key to supporting medium term recovery and potential growth

Covid-19 Solidarity Fund ✓

Approved on April 8th, 2020

- Voted unanimously by all parties, to be managed by the Executive branch.
- Fund earmarks the budgetary resources to address the emergency, keeping tabs of the Covid-related expenditures and where and how the money is spent.

Urgent Consideration Law ✓

Approved on July 9th, 2020

- Changes in the tax code for small businesses.
- Draft of new fiscal framework.
- Changes in the regulatory framework for energy markets
- Commission of experts of the Pension Reform submitted the diagnosis on March 23rd 2021 and has 90 days onwards to present a comprehensive reform to Congress.

2020-2024 Budget Law ✓

Approved on December 18th, 2020.

- Implementation of new fiscal institutionalality.
- New governance for public enterprises: performance targets and accountability.
- Environmental and ESG-focused policies (Helsinki Principles).

2020 Budget Review

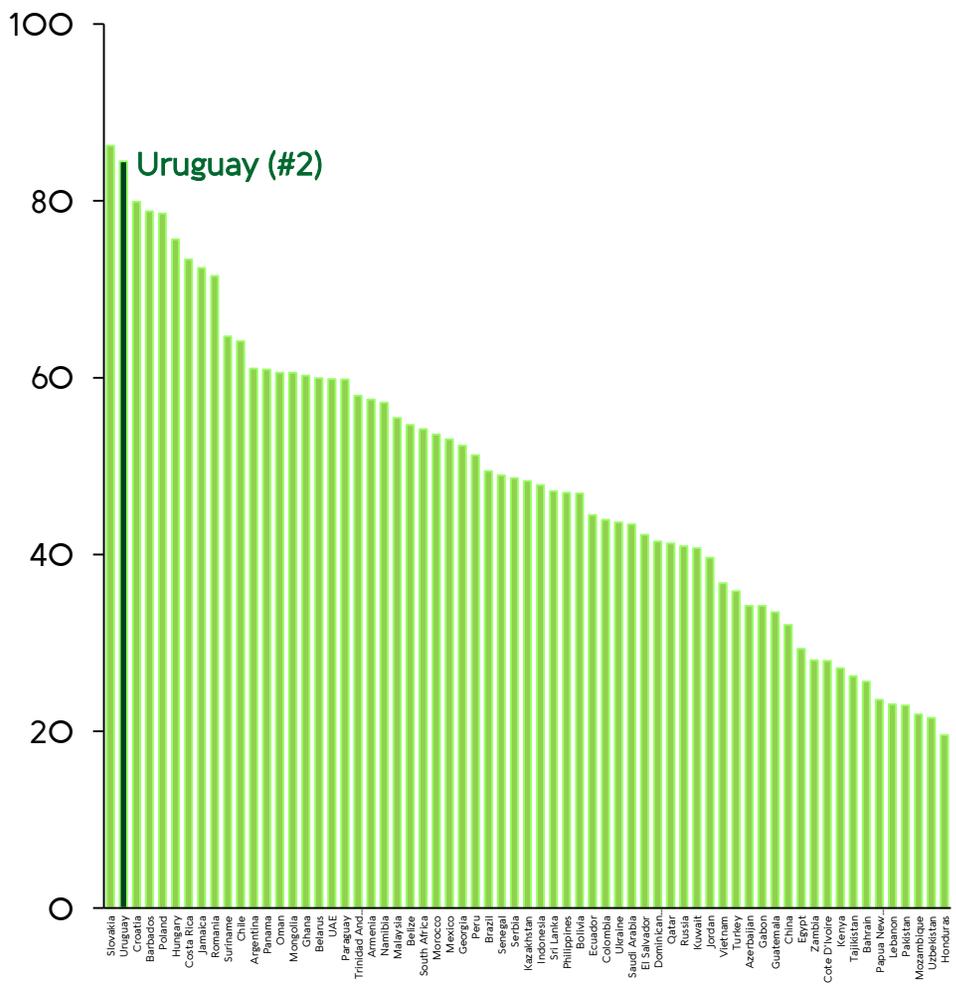
Submitted to Congress on June 30th, 2021

- Achievement of 2020 fiscal targets.
- Update of fiscal projections for the 2021-2025 period.
- Focus on the efficiency of primary expenditures and the implementation of social programs addressing child poverty and housing for lower-income families

Uruguay is one of the top global performers on ESG fundamentals

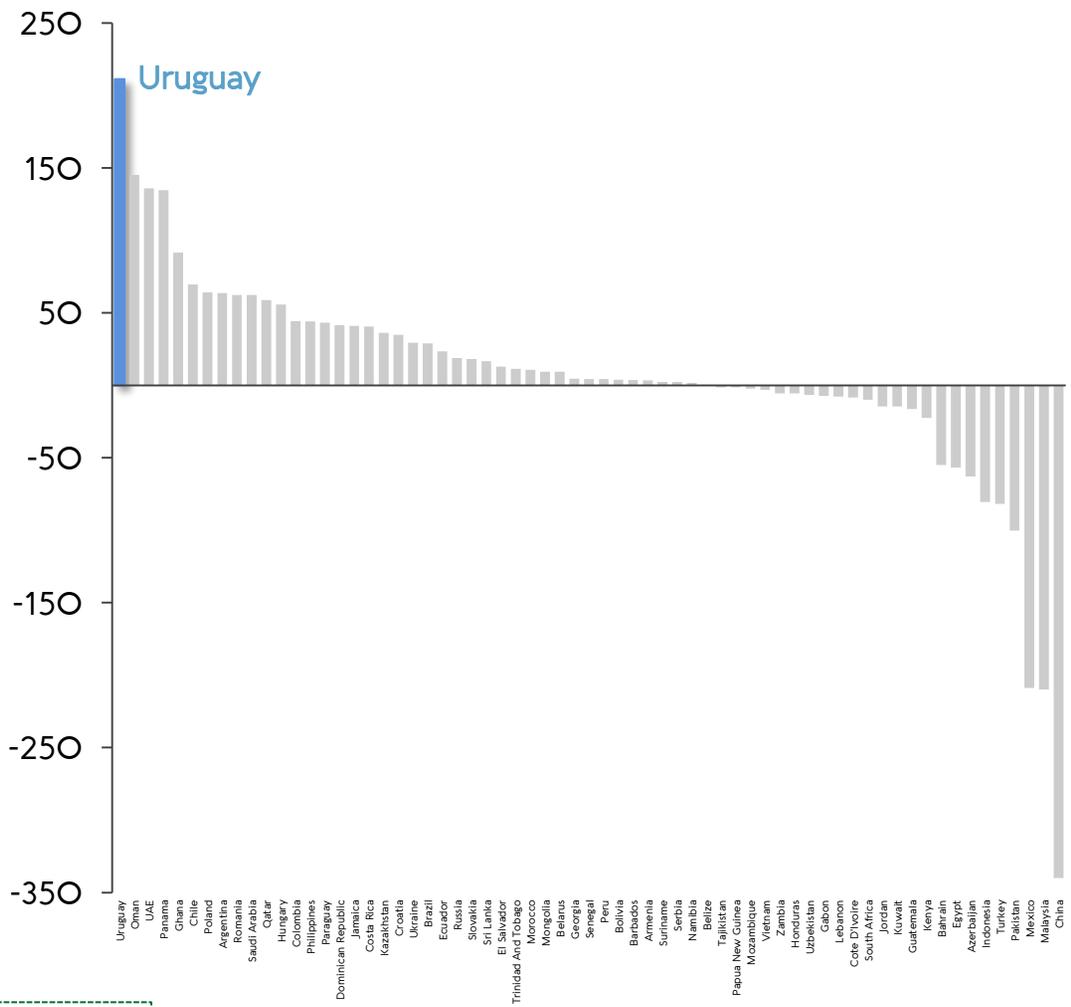


Emerging Markets' ESG Score
(Index, 100 = best performance; as of end-July, 2021)



65 countries

Weight change when moving from Conventional EMBI to ESG-Adjusted EMBI
(In basis points; as of end-July, 2021)



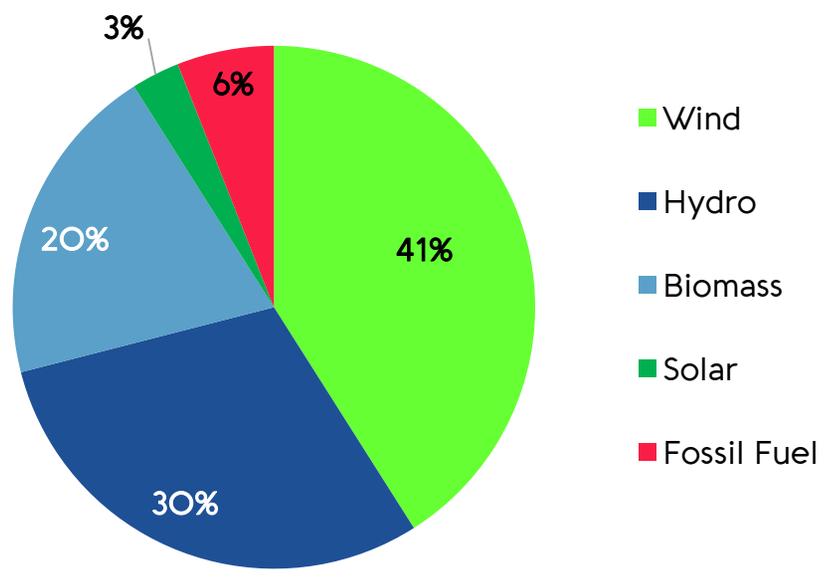
Source: J.P. Morgan Chase & Co. using data from RepRisk, Sustainalytics and Climate Bonds Initiative.
 Disclaimer: "Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2021, J.P. Morgan Chase & Co. All rights reserved."

Uruguay's electricity matrix is based on renewable resources, partly as a result of a steady growth in wind energy in the last decade...



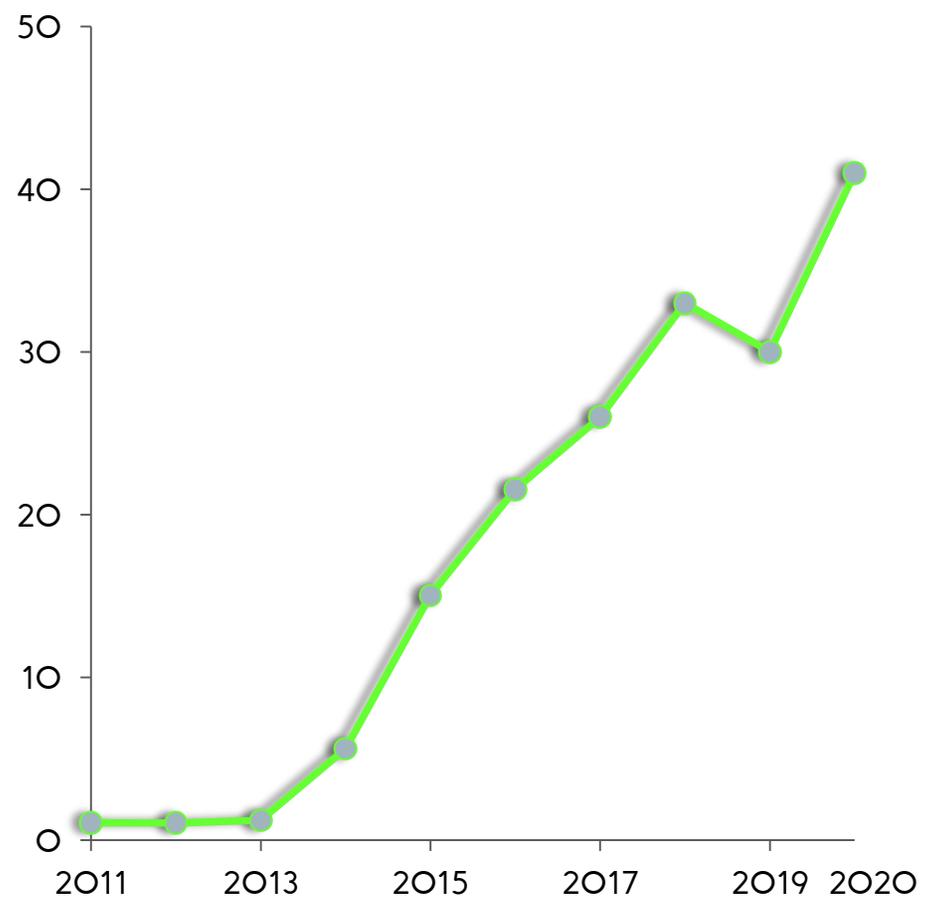
Rapid decarbonization of electricity system and plan for robust mitigation measures across all emission-intensive sectors

Electricity Generation by Source (1)
(% of total, 2020)



Uruguay ranks #2 in the world in share of electricity production from wind and solar sources in 2020(2)

Electricity Generation from Wind Energy (1)
(% of total)



(1) Source: National Energetic Preliminar Balance 2020, Ministry of Industry, Energy and Mining.
(2) Source: Ember's Global Electricity Review 2021

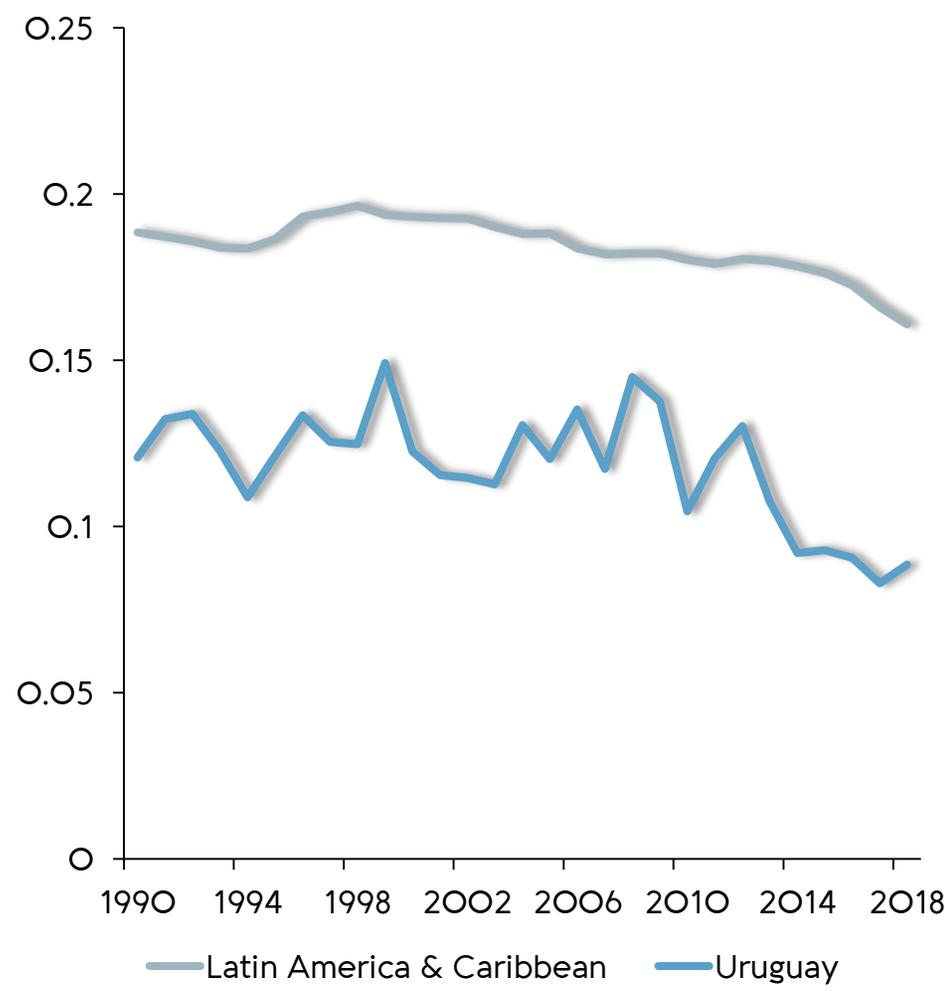
... and remains at the forefront of environmentally-friendly policies, reflected in low air pollution and carbon intensity



Ranked #1 in:

- WEF Energy Transition Index among Emerging and Developing Countries
- MSCI Environmental Pillar Index among all countries in the world
- Green Future Index, MIT Technology Review

CO₂ Emissions Intensity (1)
(kg per 2011 PPP GDP)



(1) Source: World Bank



The Government is committed to aligning sovereign debt management strategies with climate action policies

The goal is to make economic growth consistent with a pathway towards low greenhouse gas emissions and a climate-resilient economy, through macroeconomic, fiscal and financing policies

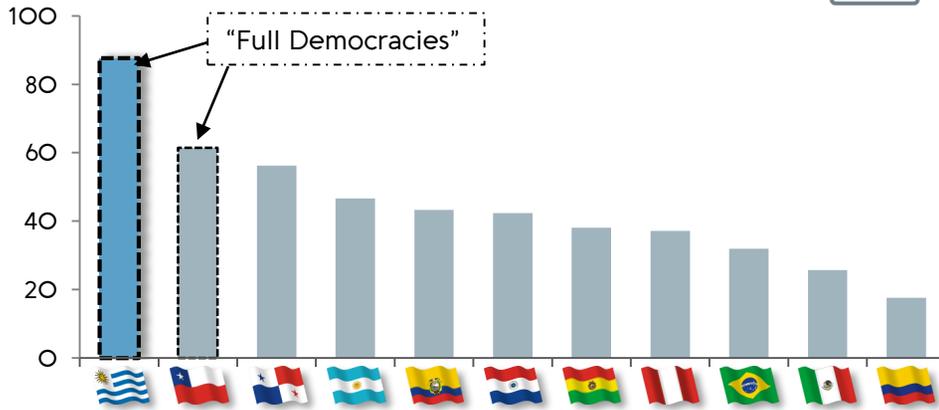
- Creation of the Ministry of Environment (*July, 2020*).
- The Government joins:
 - The Coalition of Finance Ministers for Climate Action (*October, 2020*).
 - The Network of Central Banks for Greening the Financial System (*November, 2020*).
- The Helsinki Principles were explicitly incorporated in the 2020-2024 Budget Law, putting climate resilience at the center of the planning and design of economic policies and fiscal management (*December, 2020*).
- The Ministry of Industry and Energy and the Ministry of Finance launch the national road-map for green hydrogen production, with the support of the United Nations Joint Fund for Sustainable Development Goals (*April 2021*).

Uruguay has remained a bastion of institutional and political stability in LatAm throughout the pandemic

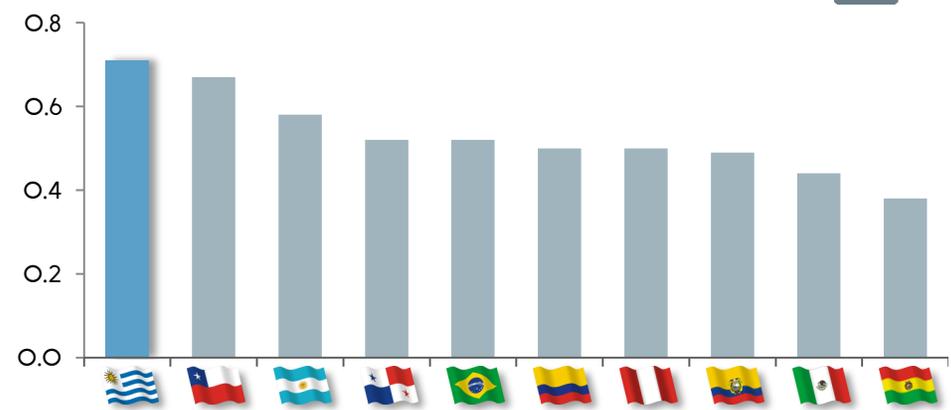


Uruguay's presidential elections are not until 2024, creating favorable conditions to implement policies

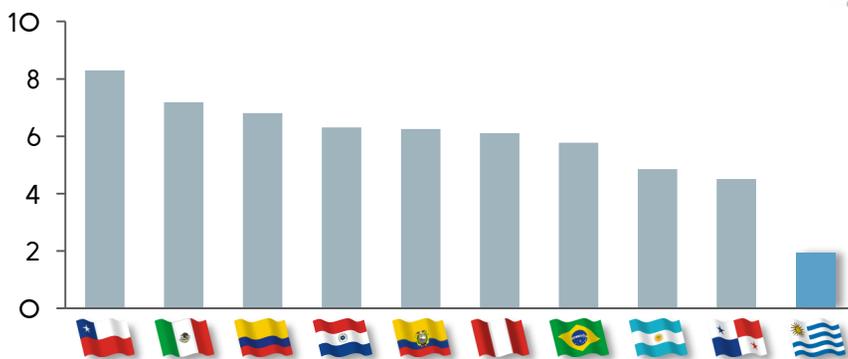
Political Stability and Democracy (1)
(Percentile rank)



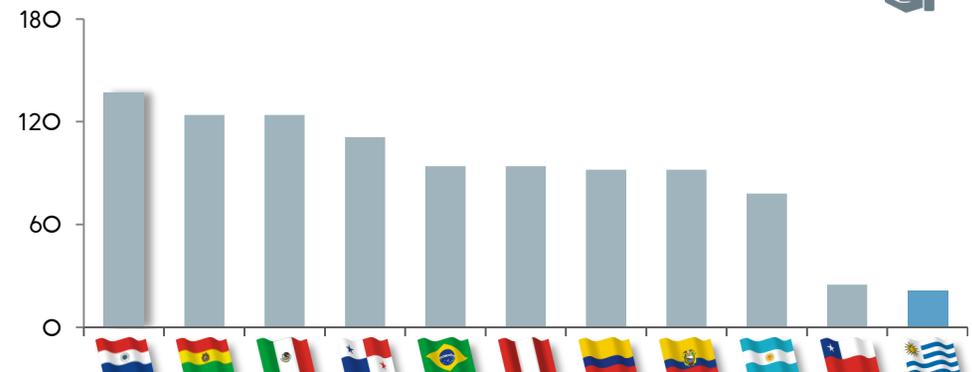
Adherence to the Rule of Law (2)
(Numerical score out of 1)



Civil Unrest (3)
(Index out of 10)



Corruption Perception (4)
(Rank)



(1) Source: Worldwide Governance Indicators, World Bank (2019) and The Economist Intelligence Unit (2020).

(2) Source: World Justice Project (2020).

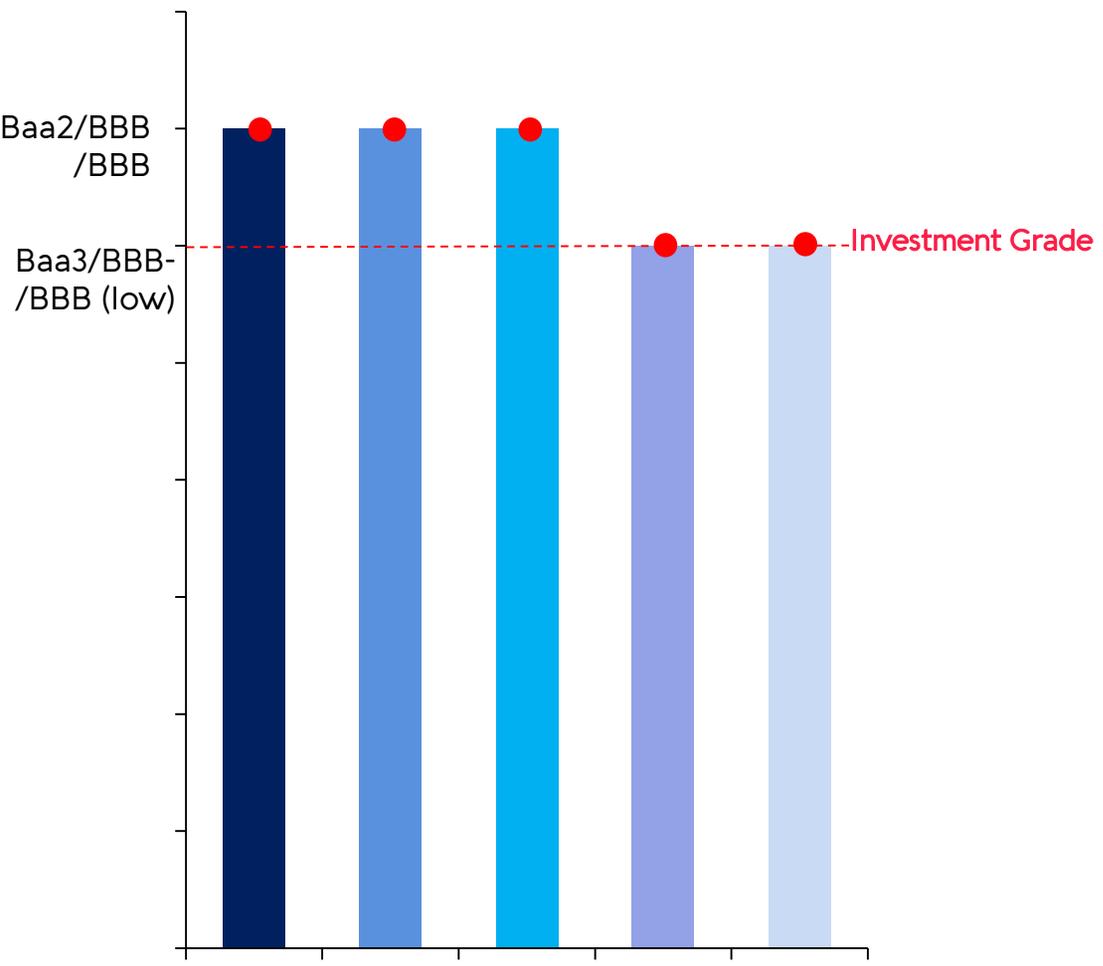
(3) Source: Verisk Maplecroft (first quarter of 2020).

(4) Source: Transparency International (2020).

Sovereign spread among the lowest level in LatAm, even below higher-rated peers



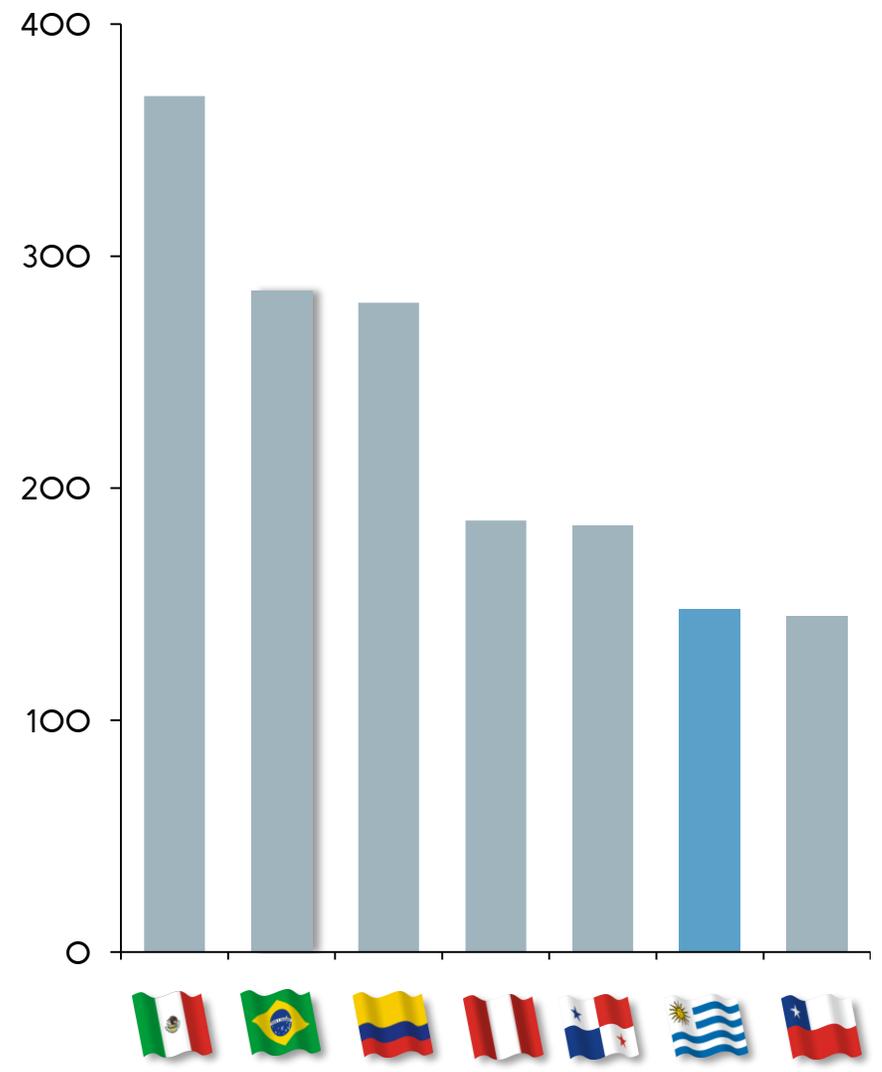
Uruguay's sovereign credit ratings ⁽¹⁾ (As of August 11th, 2021)



Outlook: (Stable) (Positive) (Stable) (Stable) (Negative)

Last update: Aug-21 Jun-21 Apr-21 Jan-21 Jun-21

Sovereign Risk Premia ⁽²⁾ (EMBI spread in bps, as of August 11th, 2021)



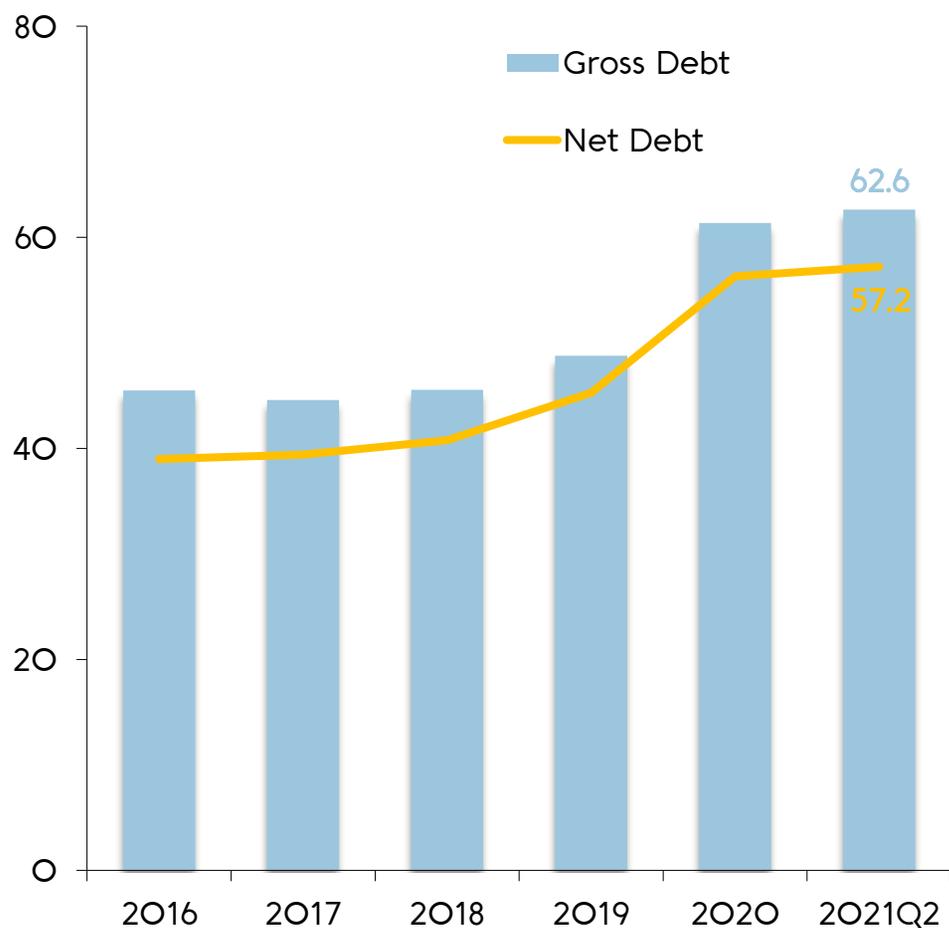
(1) Source: Moody's, S&P, R&I, DBRS-Morningstar and Fitch.
(2) Source : Bloomberg.

Proactive sovereign debt management strategies: increasing share of local currency funding at medium term maturities to de-risking debt portfolio



Improvements in currency and maturity structure of debt in line with debt management goals set in the budget, although share of foreign currency debt is still relatively high

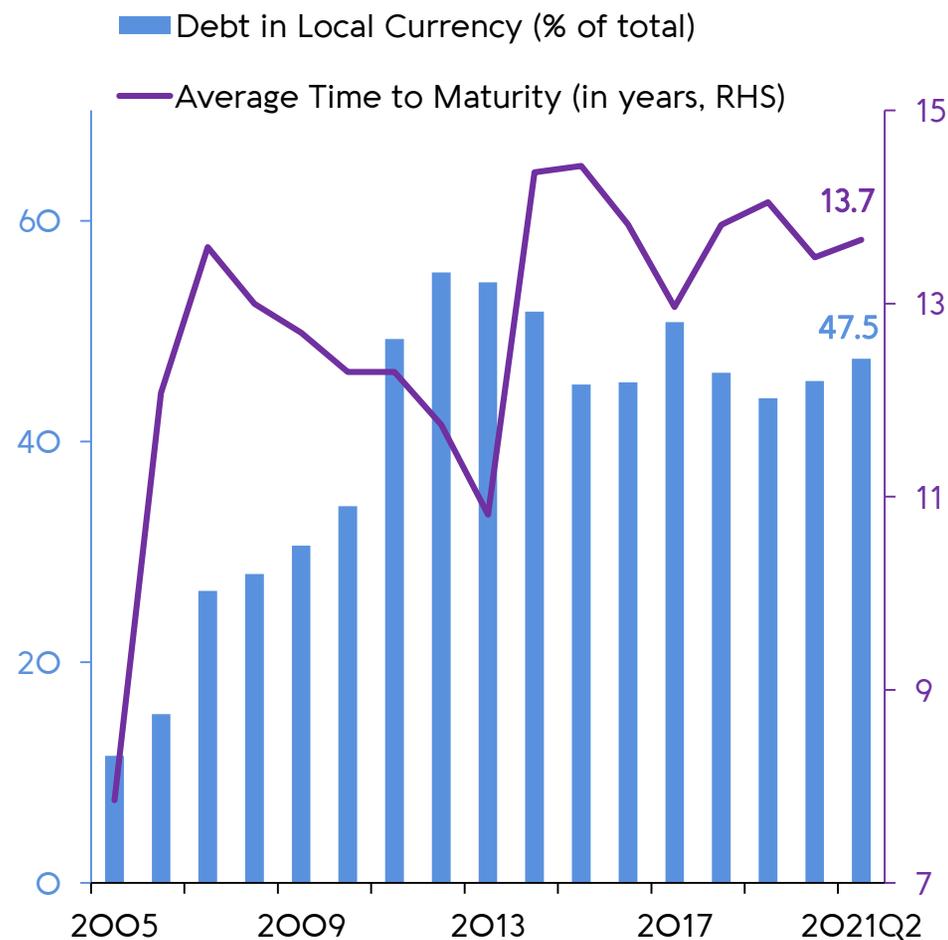
Gross and Net Debt Stock
(As of end-period, in % of GDP)



(*) Preliminar

(*)

Currency and Maturity Composition of Debt
(As of end-period)





Cornerstones of debt management strategy: deepening local currency markets in a cost-efficient way and proactive liability management operations

Flow of Funds in 2021

(US\$ mm, projections)

FINANCING NEEDS	4,931
Primary Deficit ⁽¹⁾	1,264
Interests Payments ⁽²⁾	1,513
Amortizations of Bonds and Loans ⁽³⁾	2,003
Change in Financial Assets ⁽⁴⁾	152
FUNDING SOURCES	4,931
Disbursements from Multilaterals and Fin. Instit.	600
Total Issuance of Market Debt ⁽⁵⁾	4,317
Others (net) ⁽⁶⁾	14
<i>Memo Item: Government Net Indebtedness (GNI)</i>	2,762

65% of targeted issuance has been completed as of July.

Source: Ministry of Economy and Finance of Uruguay. The sum of the components may differ from the totals due to rounding.

(1) Excludes extraordinary transfers to the public Social Security Trust Fund (SSTF).

(2) Includes interests payments to the SSTF on its holdings of Central Government debt.

(3) For 2021, includes the obligations coming due on a contractual basis and bonds repurchased and early redeemed through July 30, 2021.

(4) Change in liquid assets of the Treasury and other financial assets (assets of the SiGa trusts and assets with other public sector entities, product of loans contracted by the Republic in representation of the same); a negative value (-) implies a de-accumulation of assets.

(5) Includes bonds issued domestically and in international markets.

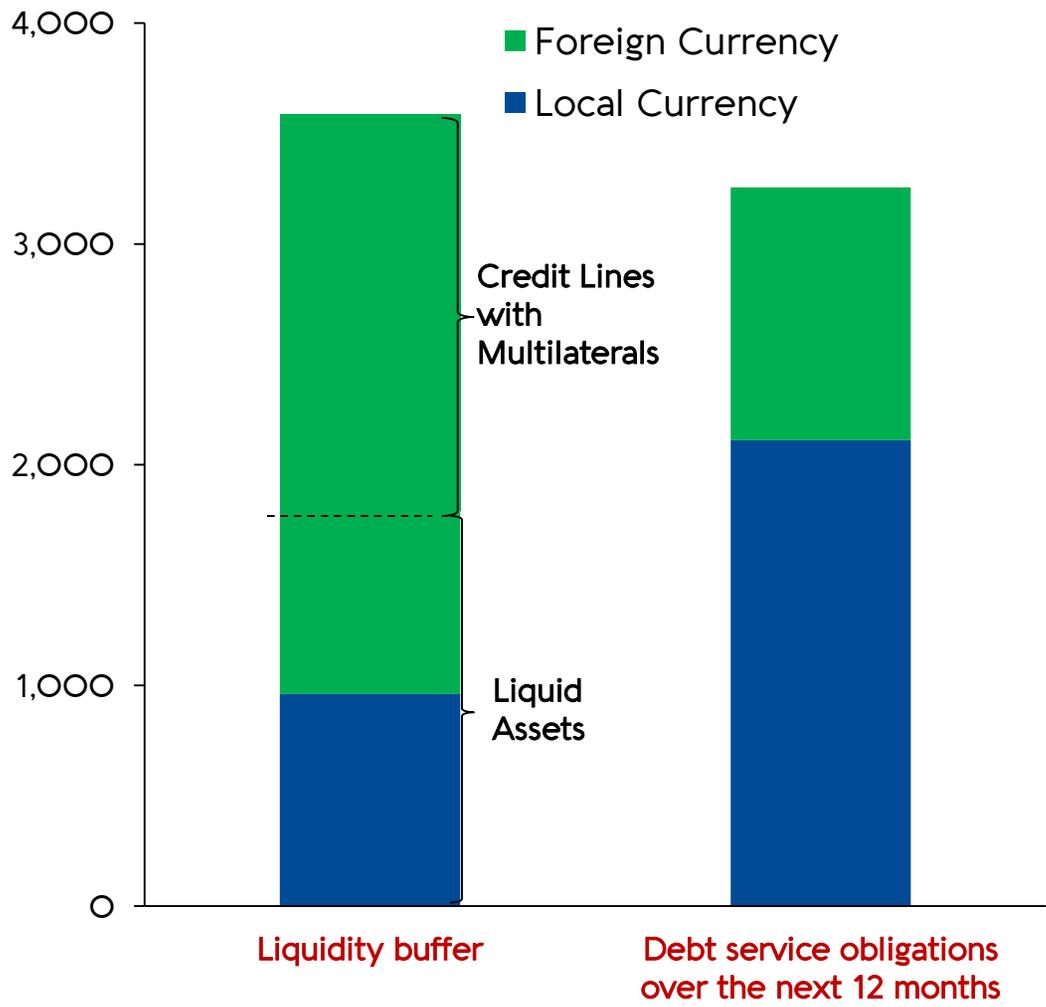
(6) Includes exchange rate and market price valuation effects.

8 Large liquidity buffers and precautionary credit lines of the Central Government provide financial backstops



Conservative pre-financing policy affords financial flexibility

Liquidity Buffers of the Government and Short-Term Debt Service Obligations ⁽¹⁾
 (In US\$ million, as of end-July 2021)



Available precautionary credit lines with multilaterals totalize USD 1.8 billion:

- Corporación Andina de Fomento (US\$ 750 million);
- World Bank (US\$ 280 million)
- Fondo Latinoamericano de Reservas (US\$ 665 million)
- Inter-American Development Bank (US\$ 100 million)

(1) Debt service includes amortization plus interest payments.
 Source: Debt Management Unit, Ministry of Economy and Finance of Uruguay

Cornerstone of debt management strategy: deepening local currency markets



- Increase local currency funding in domestic and international jurisdictions while developing secondary markets (liquidity, depth, and points in the curve).
- The share of local currency in total debt increased to **47.5%**, up from **43.9%** in end-2019.
- In line with the government's goal to reach 50% of the total debt denominated in local currency by 2024, as set out in the 2020-2024 Budget Law.

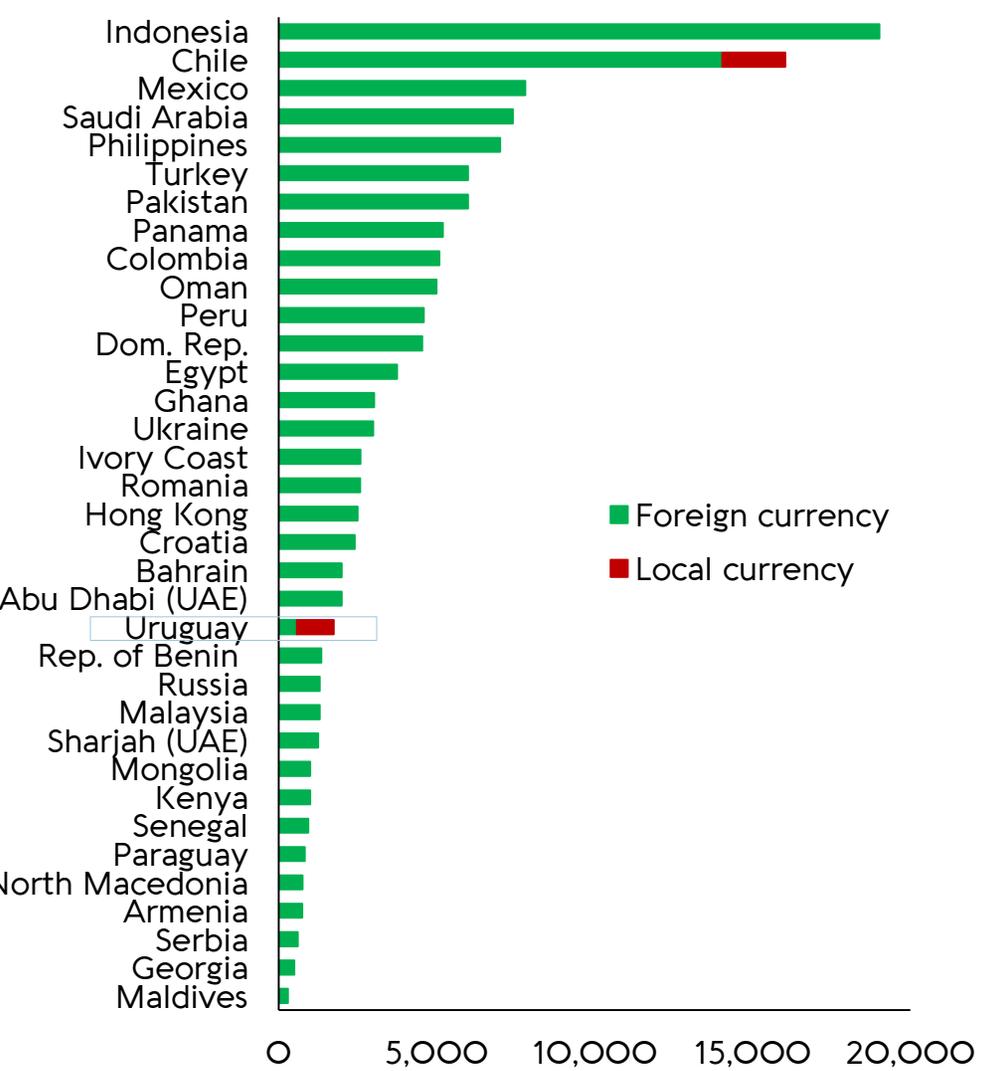
In 2021, Uruguay's bond issuance has been mostly in local currency with a growing relevance of the domestic market



8

Emerging Markets: Sovereign International Bond Issuances during 2021 (*) (1)

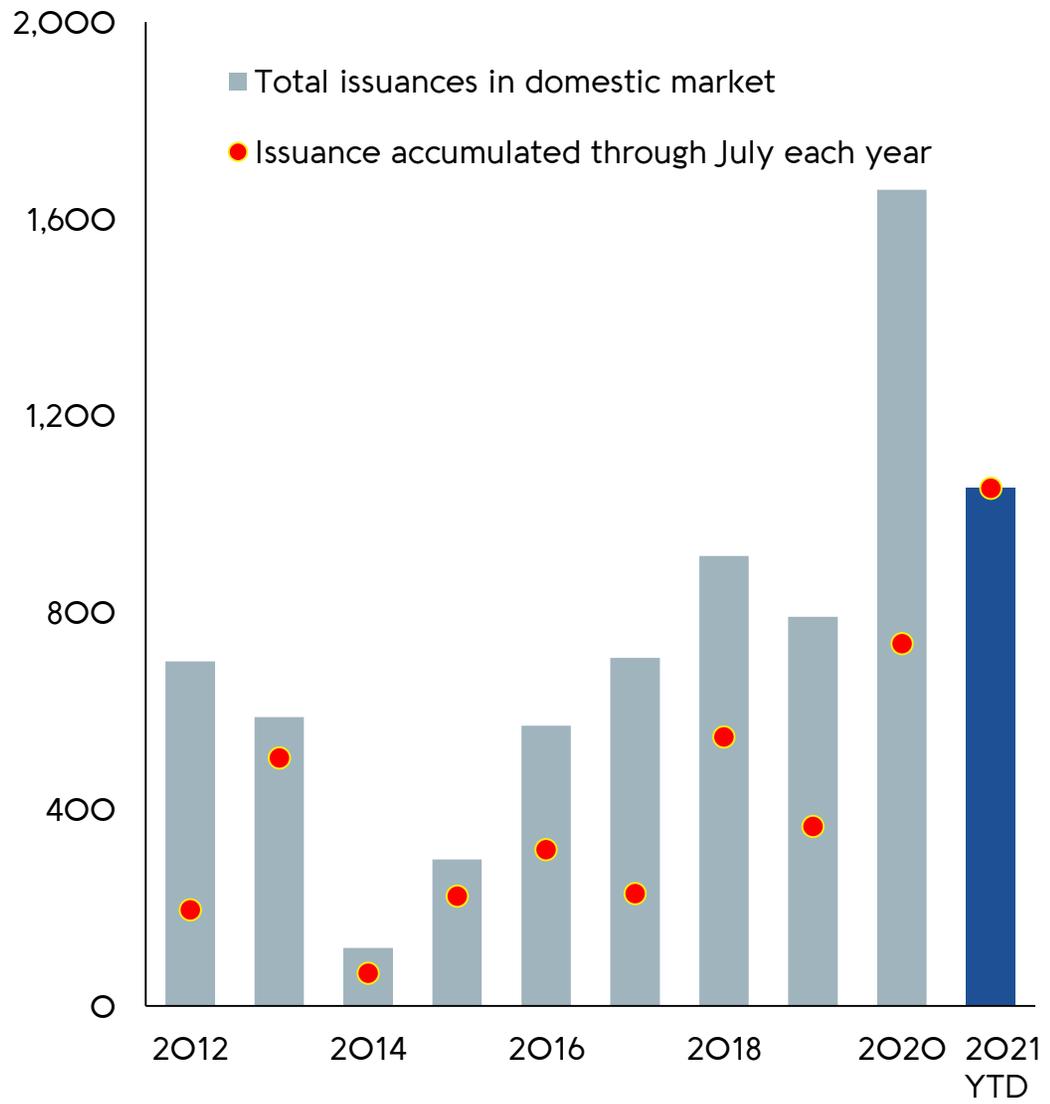
(In US\$ million, as of end-July)



(*) For countries with several transactions in multiple currencies during the year, it shows the sum of total amount issued. Excludes European EM countries that have issued in Euros.

Uruguay: Treasury Notes Issuances in Domestic Market (2)

(In US\$ million equivalent, as of end-July, 2021)



(1) Source: Bloomberg / (2) Source: Debt Management Unit, Ministry of Economy and Finance of Uruguay.

Developing the local currency domestic market in fixed-rate nominal pesos



Joint strategy by the Ministry of Finance and the Central Bank

- In the June meeting of the Public Debt Coordination Committee (PDCC), both institutions agreed on the importance of continuing to deepen the development of the nominal peso curve and the relevance of having **on-the-run instruments in the front-end of the curve**.
- On June 28th, the government published its semi-annual issuance calendar in the domestic market for July-December 2021 in which it introduced a **new 4-year Treasury Note denominated in fixed-rate pesos (UYU)**.
 - The first auction is scheduled for August 17th, with two more re-openings planned for October 12th and December 7th.
- On July 9th, the Central Bank announced the auction of **2-year Monetary Regulation Bills**, to further contribute in the development of the local currency yield curve and to the de-dollarization process.

The government will re-start auctioning domestic Treasury Notes denominated in nominal fixed-rate pesos (UYU)



Indicative Terms and Conditions

Issuer	Republic of Uruguay
Currency	UYU
Auction date	August 17 th , 2021
Base amount auctioned	UYU 1,350 million (approx. USD 31 million) ⁽¹⁾
Annual coupon	7,50%
Coupon frequency	Semi-annual
Average years to maturity	4 yrs.
Amortization	At maturity (“bullet”)
Settlement options	Uruguayan pesos, U.S. dollars ⁽²⁾ and/or eligible Treasury Notes denominated in CPI-linked due in 2021, 2022 and 2023
Issuance format	New issue
ISIN	To be determined
Settlement date	August 18 th , 2021
Governing law	Republic of Uruguay
Use of proceeds	General purposes of the Government

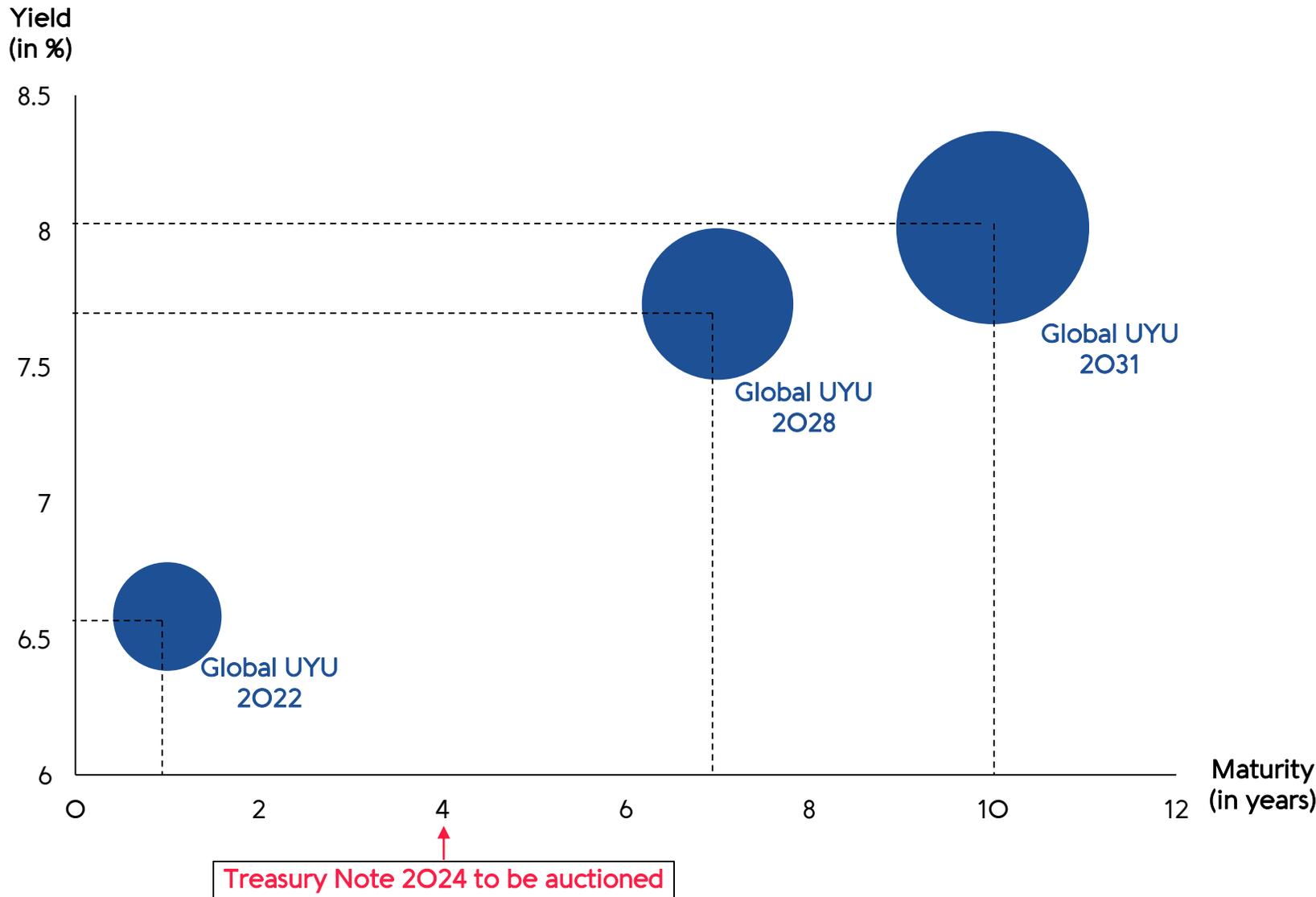
(1) The government is legally authorized to issue up to an additional 100% of the base amount to be auctioned.

(2) For those investors settling in U.S. dollars, the peso equivalent amount will be calculated using the simple average of the exchange rate of the day prior to each auction and the day of the auction (closing price, as reported by the Central Bank: Bloomberg ticker: USDUYU CBUY <Currency>).

New mid-maturity UYU instrument to continue to develop the nominal pesos curve



Completing maturity points on the local currency curve in coordination with the Central Bank



Note: Size of the bubble reflects outstanding amount in USD equivalent.

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



Equal treatment between residents and non residents investors

- Both resident and non-resident investors are allowed to submit bids through any local broker and/or financial institution authorized by the Central Bank of Uruguay, provided they have an open account at any of these institutions.
- Treasury Notes offered in these auctions can also be accessed in Global Depositary Notes format (Euroclear, Clearstream and DTC-eligible), through financial institutions that offer this cross-border investment vehicle.
- Under existing laws and regulation, principal and interest payments on government securities will not be subject to Uruguayan income or withholding tax.
- There are not market restrictions to participate in the FX market.