

República Oriental del Uruguay

Institutional Investor Presentation

September 2021



Cardenal Copete Rojo (*Paroaria Coronata*)
Photo credit: Leonardo Colistro.



Ministerio
**de Economía
y Finanzas**

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**República Oriental
del Uruguay**

Uruguay at a Glance

Uruguay at a Glance



Oriental Republic of Uruguay	
Population	3.5 million
Total Surface	176,215 km ²
Territorial Waters	142,000 km ²
Administrative Structure	19 Departments
Human Development Index	0.817 ("very high")
Nominal GDP (USD, 2020)	\$53.57bn
GDP per Capita (nominal USD, 2020)	\$15,172 (highest in Latin America)
GDP Real Growth Rate (1Q21, YoY)	-2.8%
CPI YoY (July 2021)	7.30%
Unemployment Rate (June 2021)	9.4%
Life Expectancy at Birth	73.4 years
Infant Mortality	6.8 deaths / 1,000 live births
Adult Literacy Rate	98.6% (highest in Latin America)

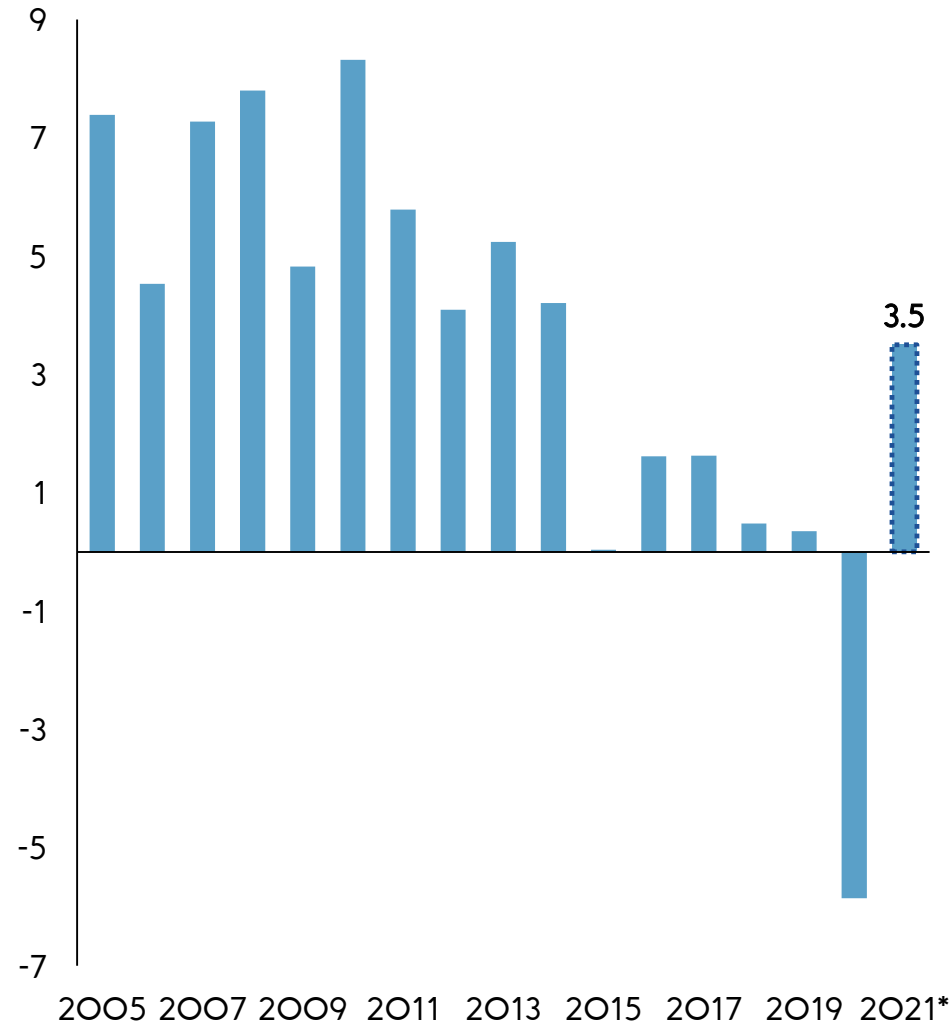


- The Oriental Republic of Uruguay ("Uruguay") is a South American, Spanish-speaking country that is one of the oldest democracies in Latin America. Both Uruguay and Japan are considered full democracies.
- Uruguay has a free market economy characterized by an export-oriented agricultural sector, a well-educated workforce, and high levels of social spending.

Uruguay has the highest GDP per capita in the region together with the most fair income distribution in LATAM

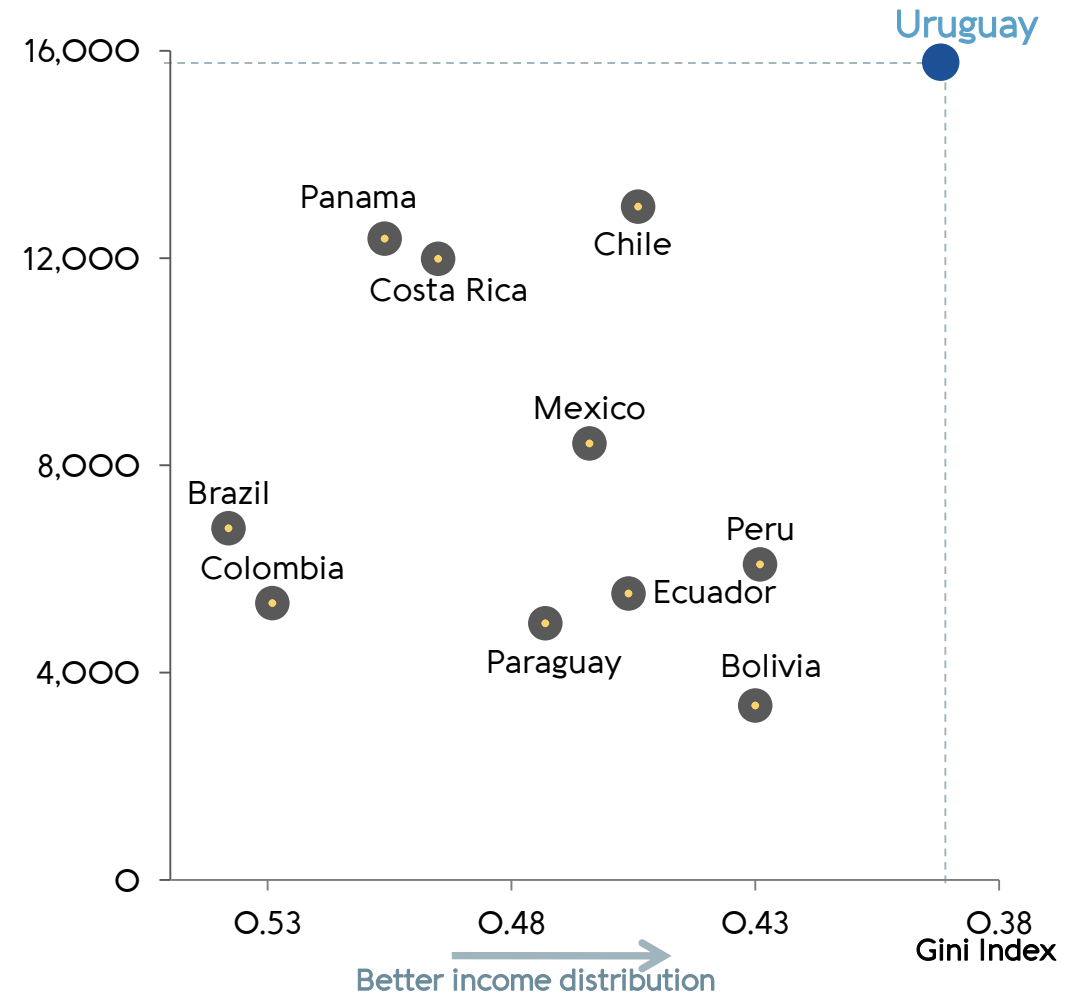


Real GDP Growth in Uruguay ⁽¹⁾
(Annual change, in %)



(*) Ministry of Economy and Finance's projection

GDP per capita and income distribution compared to Latam ⁽²⁾
(Gini Index, latest available; GDP per capita in nominal US\$ in 2020)



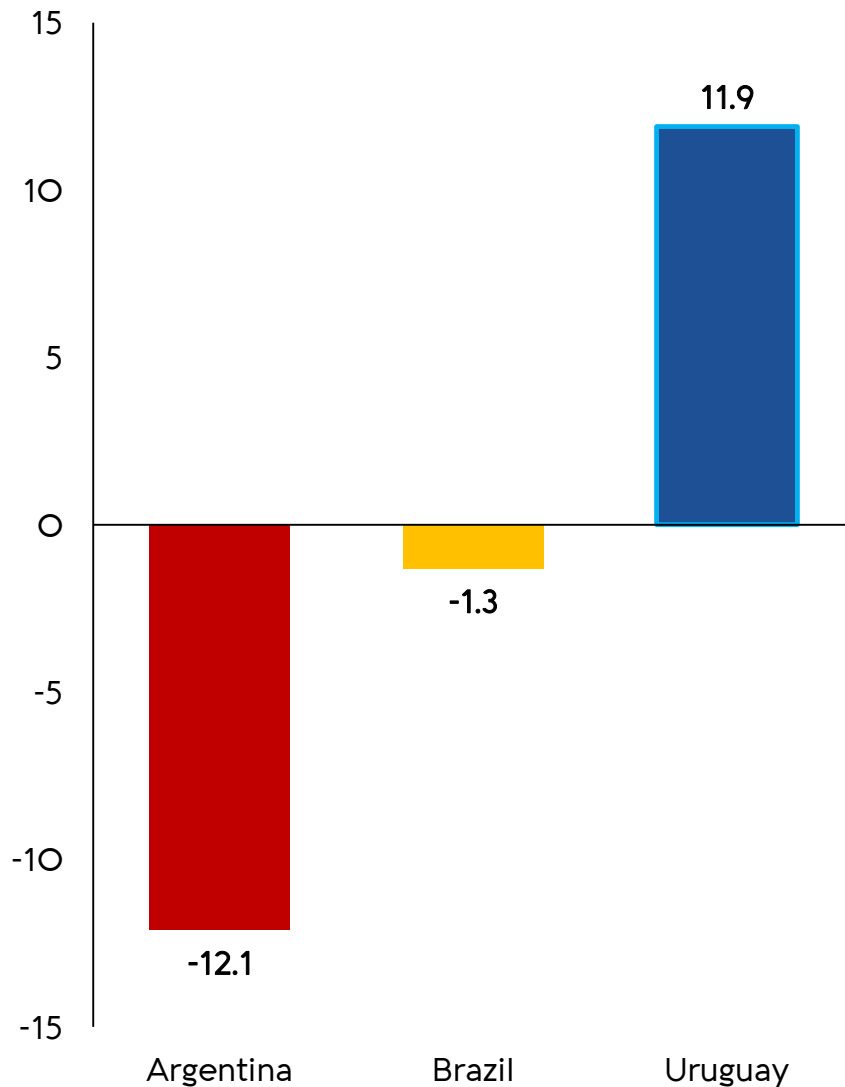
(1) Source: Central Bank of Uruguay. From 2016 to 2020, it uses National Accounts data with base year 2016. From 2005 to 2015, it uses reprojected data based on statistical splicing techniques, consistent with the National Accounts based on 2016 prices. Disclaimer: The series obtained for the period 2005-2015, unlike that for the period 2016 onwards, cannot be considered a compilation of National Accounts, since it relies heavily on the use of statistical techniques.

(2) Sources: ECLAC and IMF - WEO April 2021

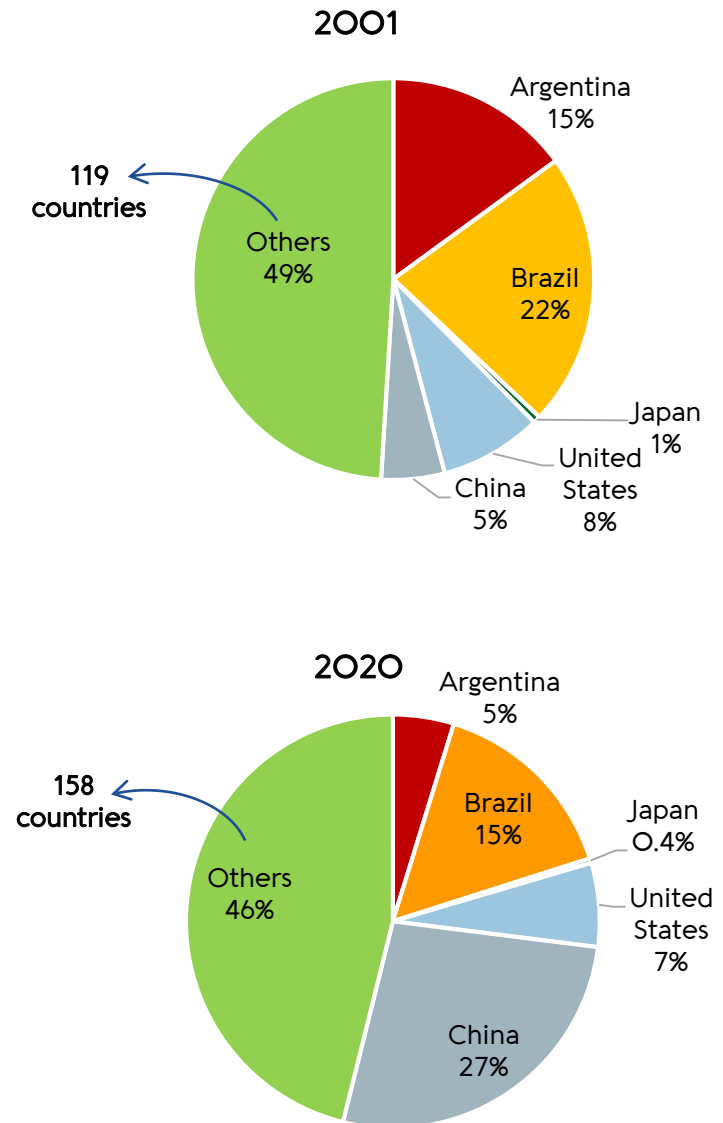
Over the last decade, Uruguay's growth has decoupled from the regional downturn, by diversifying into other export markets



Cumulative Real GDP Growth between 2011 and 2020 ⁽¹⁾
(In %)



Exports of Goods by destination ⁽²⁾



⁽¹⁾ Sources: Uruguay: Central Bank of Uruguay. From 2016 to 2020, it uses National Accounts data with base year 2016. From 2011 to 2015, it uses reprojected data based on statistical splicing techniques, consistent with the National Accounts based on 2016. Disclaimer: The series obtained for the period 2011-2015, unlike that for the period 2016 onwards, cannot be considered a compilation of National Accounts, since it relies heavily on the use of statistical techniques. Argentina: National Institute of Statistics and Censuses of Argentina. Brazil: Central Bank of Brazil.

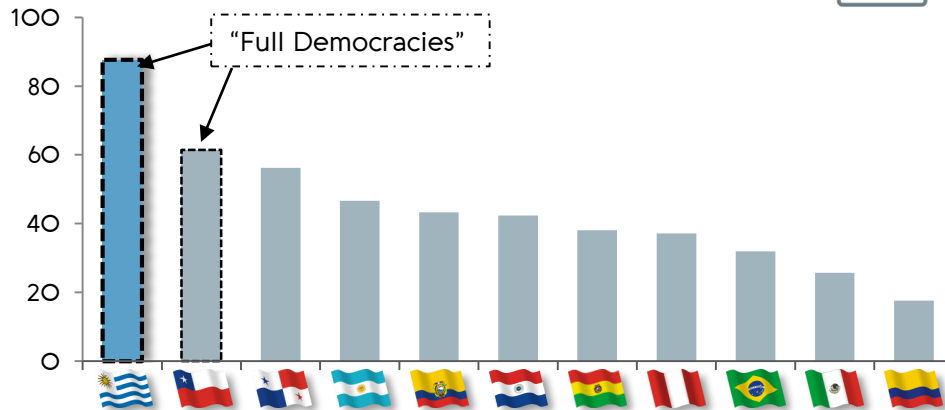
⁽²⁾ Source: Uruguay XXI. Includes Free Trade Zones exports.

Uruguay is a bastion of institutional and political stability in LatAm

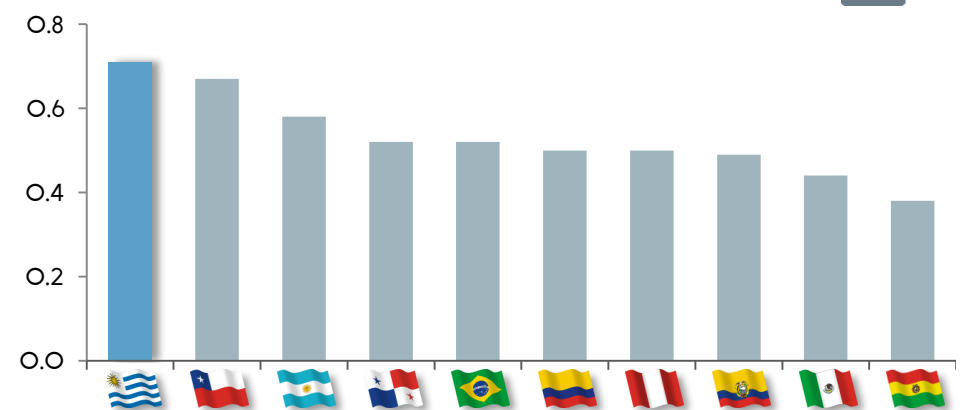


The country ranks alongside the most developed nations in terms of democratic strength, social mobility, the rule of law, civil liberties, and low perception of corruption.

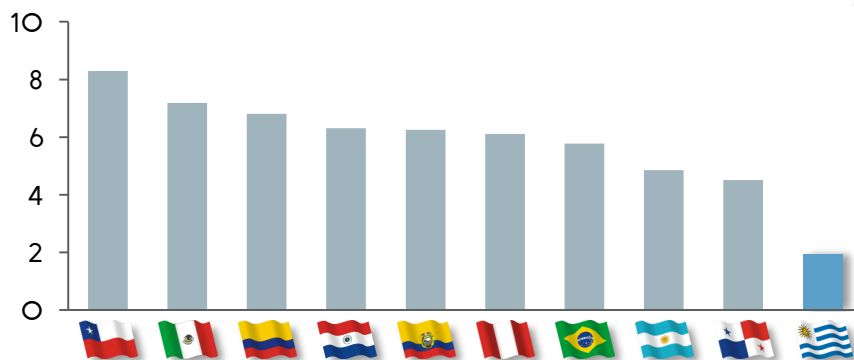
Political Stability and Democracy (1)
(Percentile rank)



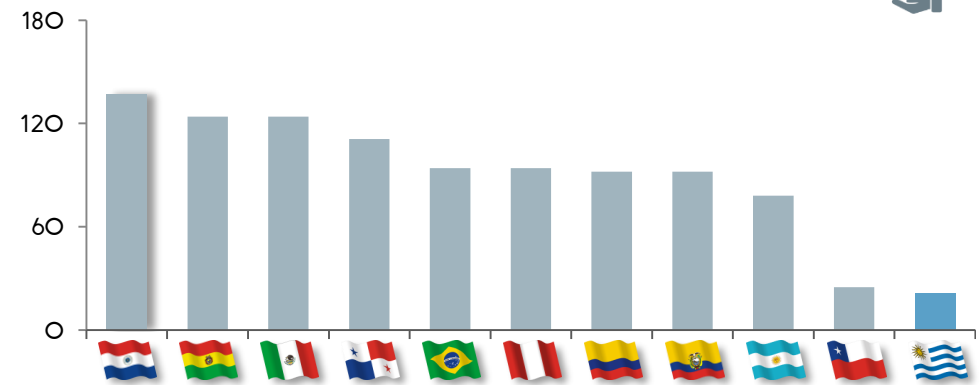
Adherence to the Rule of Law (2)
(Numerical score out of 1)



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).

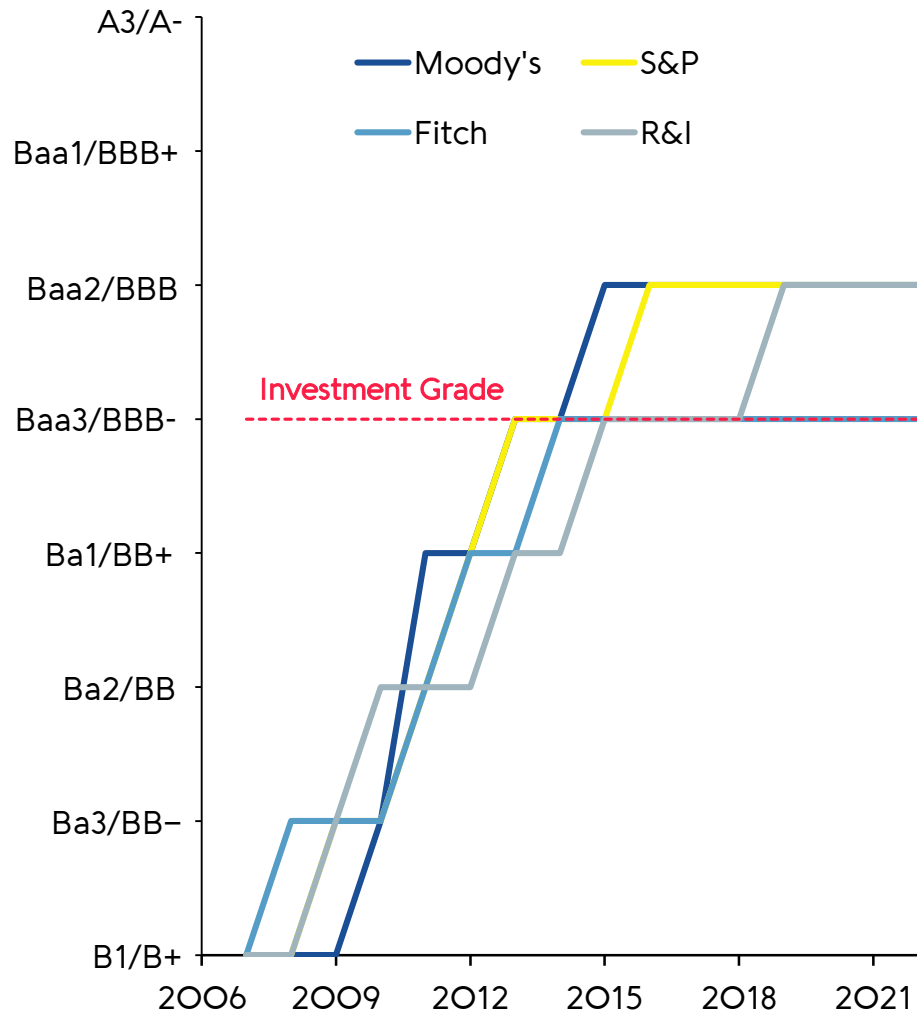
(3) Source: Verisk Maplecroft (first quarter of 2020).

(4) Source: Transparency International (2020).

Uruguay's credit rating has improved steadily, and in 2021 achieved the lowest sovereign risk spread in LatAm

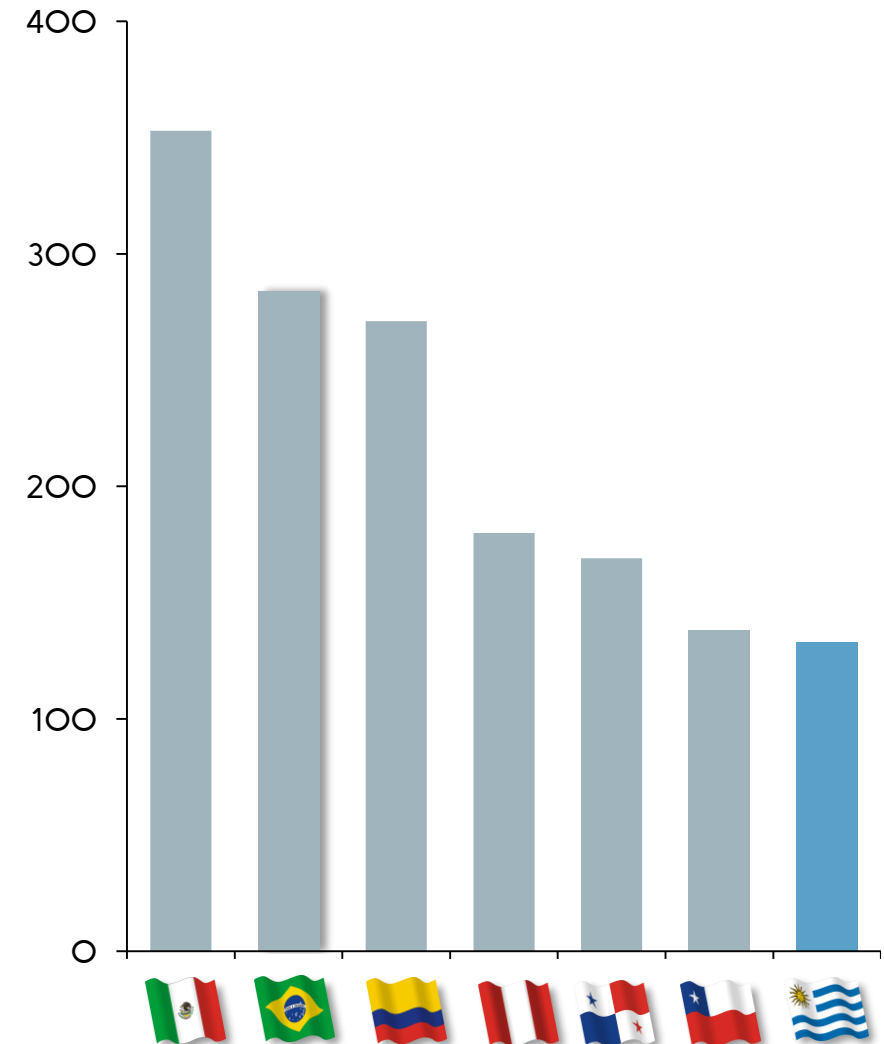


Evolution of Uruguay's sovereign credit ratings ⁽¹⁾



Sovereign Risk Premia ⁽²⁾

(EMBI spread in bps, as of August 30th, 2021)



(1) Source: Moody's, S&P, R&I, and Fitch.

(2) Source: Bloomberg

This month marks the 100th anniversary of the establishment of diplomatic relations between Uruguay and Japan



Diplomatic relations were established by the two nations in September 1921. Japan and Uruguay have forged an enduring partnership over the last 100 years, promoting free trade and cross-border investment flows.

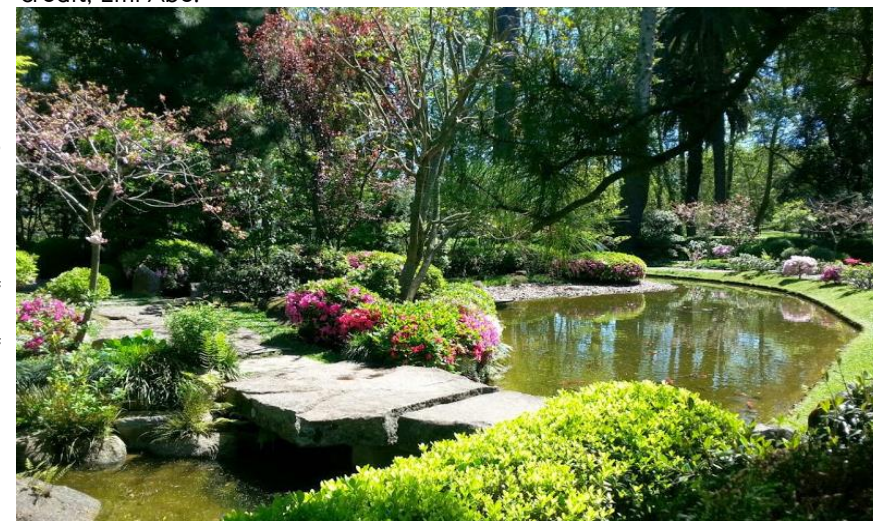
- In 2017 Japan and Uruguay signed an Agreement for the Liberalization, Promotion and Protection of Investments.
- In December, 2018 Prime Minister Shinzō Abe became the first Japanese Prime Minister to visit Uruguay. He met with former late President Tabaré Vázquez, and the two leaders reaffirmed the countries' shared values, such as freedom and democracy. Japan and Uruguay agreed to open up their respective beef export markets.
- On January 6, 2021, the Minister of Foreign Affairs of Japan, Toshimitsu Motegi, visited Uruguay to mark the 100th year anniversary of diplomatic relations between the two nations.
- Most recently, Japan and Uruguay signed an agreement to eliminate the double taxation of income between the two countries and improve measures for preventing international tax evasion and tax avoidance.



The first migrants from Japan arrived in Uruguay in 1910 and settled primarily in Montevideo. In the picture above: Japanese migrants departing from the Yokohama port on September 2, 1957, to South America. Photo credit: Emi Abe.



Minister of Foreign Affairs of Uruguay, Francisco Bustillo, and the Japanese Ambassador to Uruguay, Tatsuhiro Shindo shake hands after signing the agreement for the Elimination of Double Taxation and the Prevention of Tax Evasion and Avoidance between Uruguay and Japan (June 23, 2021).



The Japanese Garden in Montevideo, Uruguay. It was donated by Japan as a gift for the 80th anniversary of Japan-Uruguay relations.

Key Credit Highlights



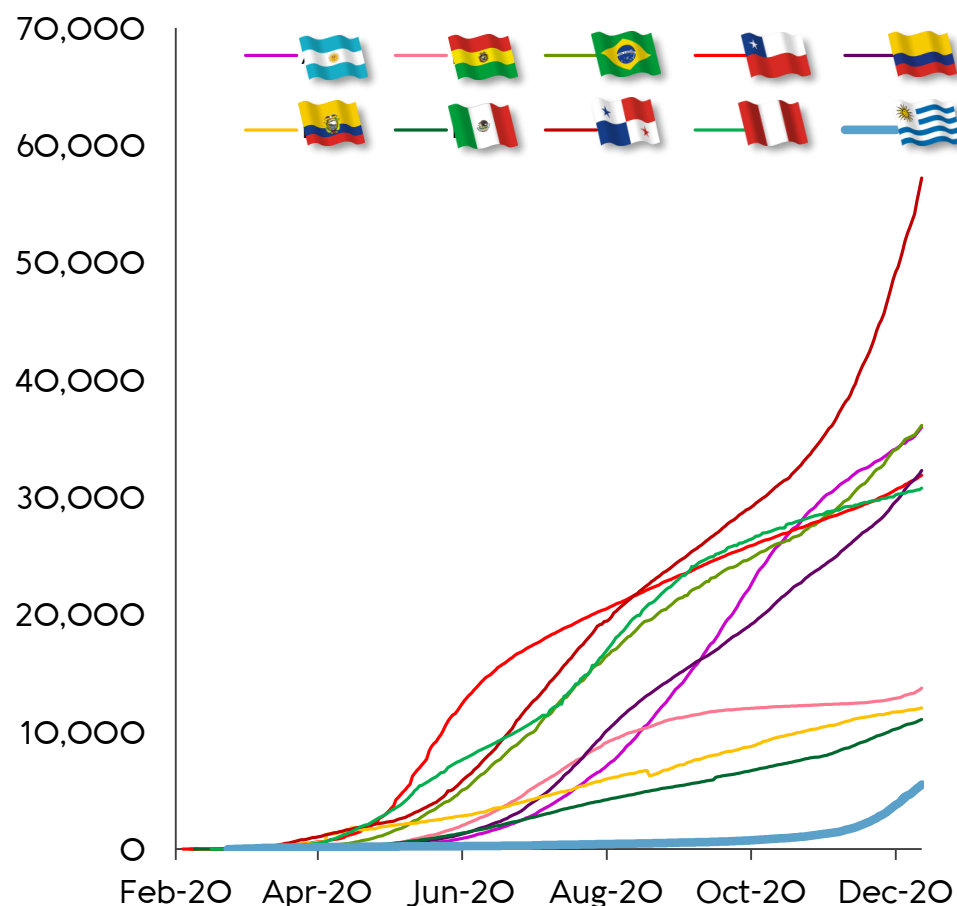
- 1 Effective response to the COVID-19 Pandemic in 2020; after Surging in First Half of 2021, Virus Spread is Contained through Swift Vaccination Plan
- 2 Gradual Economic Recovery, driven by Foreign Direct Investment, Stronger Industrial Production and Higher Commodity Exports.
- 3 Fiscal Targets Met 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 Sovereign Financing Strategies Focused on De-Risking Debt Portfolio in a Cost-Efficient Way, with a Focus on Diversifying Investor Base
- 8 Uruguay Remains One of the Top Global Performers on ESG Fundamentals; Government is Committed to Climate Action Policies.

1 Effective response to the COVID-19 pandemic in 2020, without imposing mandatory lockdown...

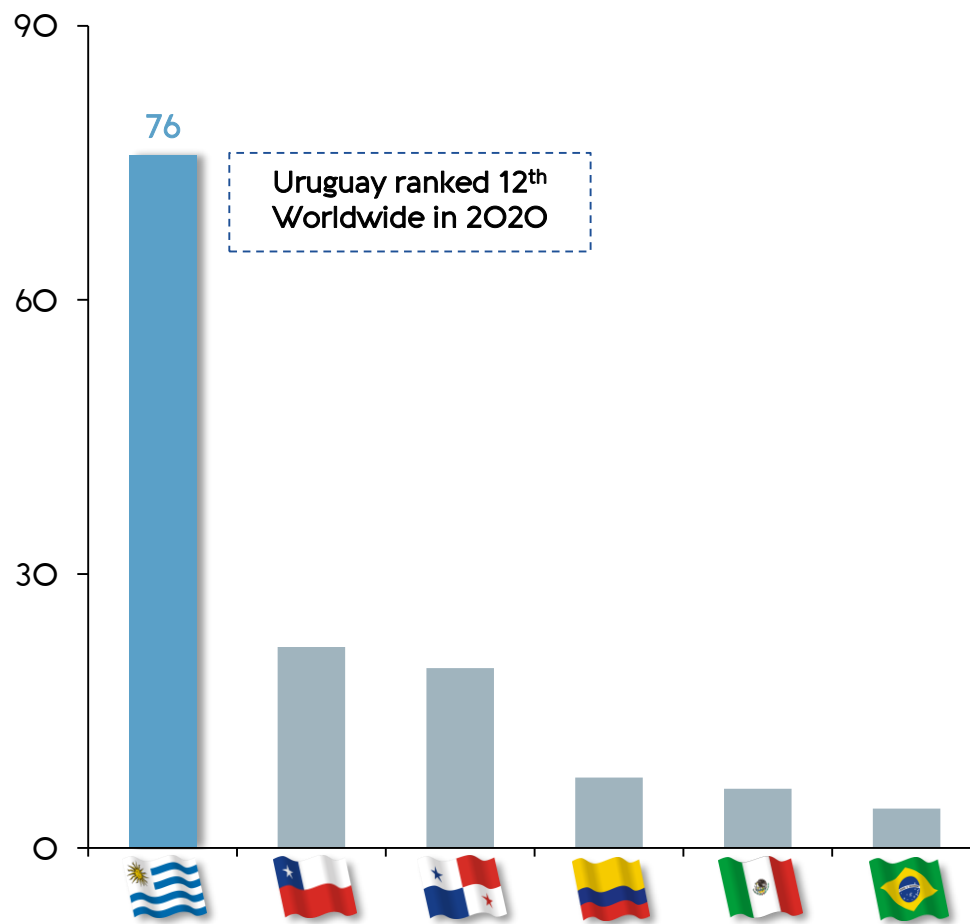


Uruguay implemented a steadfast COVID-19 containment strategy that allowed the country to limit the virus spread and mitigate fatalities in 2020.

Total confirmed cases in 2020 ⁽¹⁾
(Per million people, as of December 31st, 2020)



Management of Covid-19 Pandemic in Latam in 2020 ⁽²⁾
(Index, 100 = best performance)



Note: Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport to assert that the above information is actually comparable.

(1) Source: Our World in Data.

(2) Source: Lowy Institute, Australia. Based on data available through end-2020. The average of the rankings across six indicators (confirmed cases, confirmed deaths, confirmed cases per million people, confirmed deaths per million people, confirmed cases as a proportion of tests and tests per thousand people) was normalized for each of the 98 countries to produce a score between 11 (O (worst performing) and 100 (best performing) on any given day in the 36 weeks that followed their hundredth confirmed case of COVID-19. No data available for Argentina and Peru

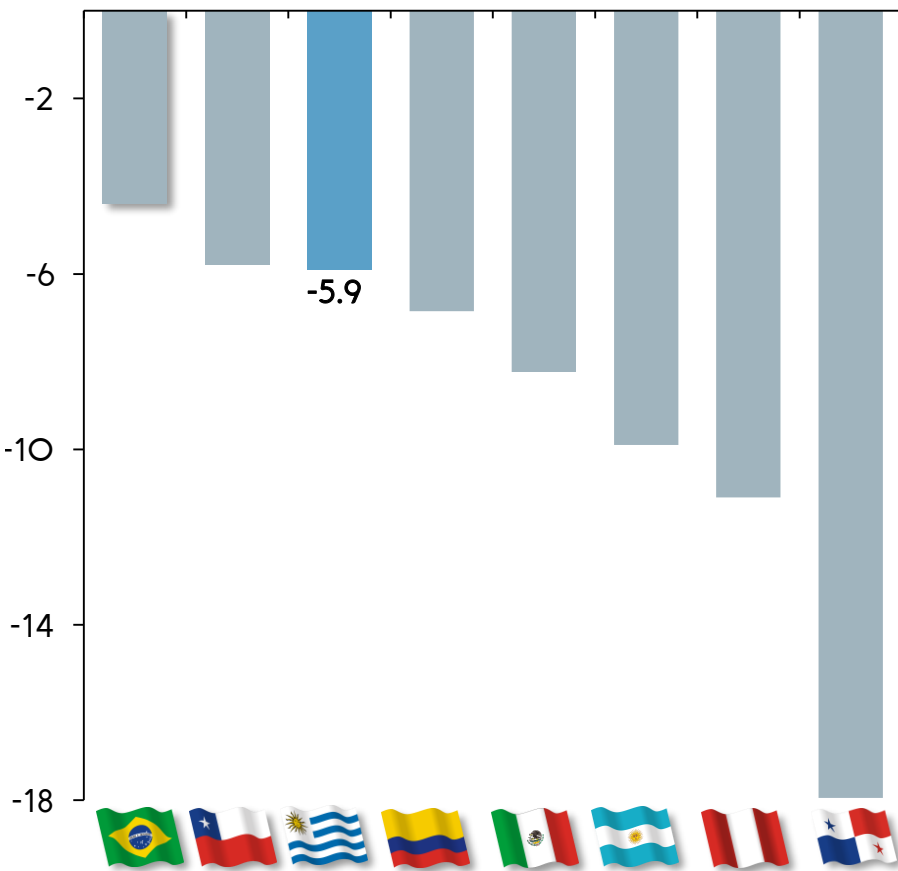


1 ...allowed for a comparatively smaller deterioration of macroeconomic fundamentals in 2020.

Uruguay's effective response to the COVID-19 outbreak coupled with political stability and a broad social safety net, allowed it to maintain solid macroeconomic fundamentals.

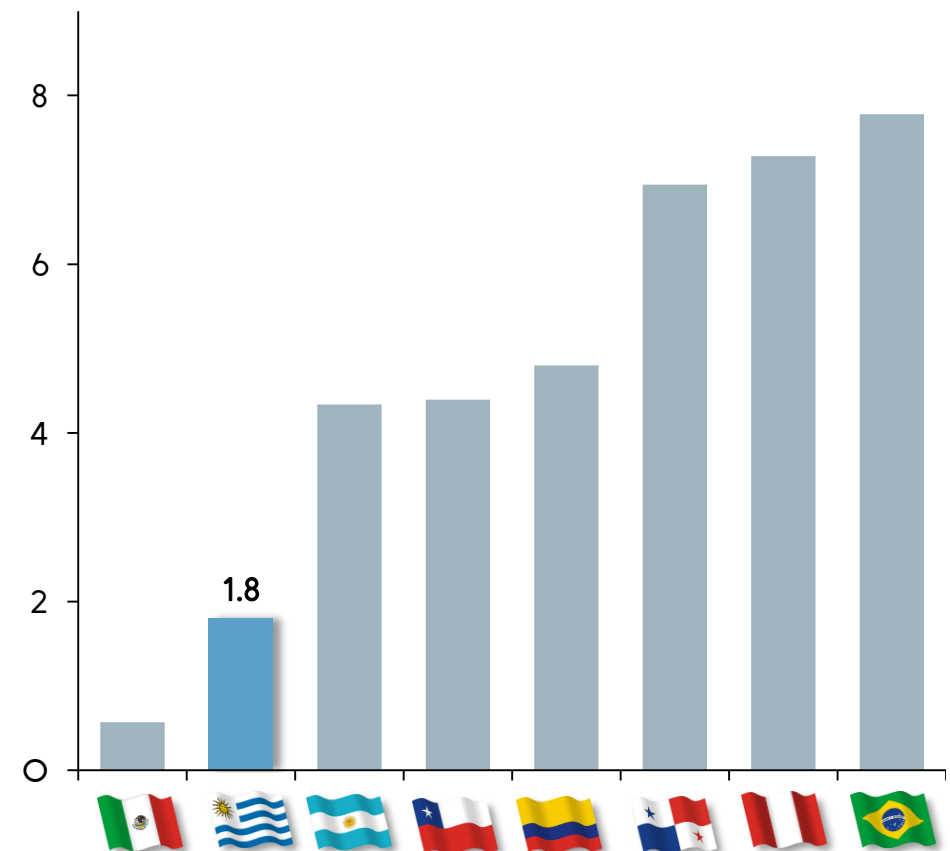
Real GDP Contraction in LatAm in 2020 ⁽¹⁾

(In %)



Deterioration in Fiscal Balances in LatAm in 2020 ⁽²⁾

(Change between 2019 and 2020 in fiscal deficit in % of GDP)



Note: Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for illustrative purposes only and we do not purport assert that the above information is actually comparable.

(1) Source : Official National Statistics.

(2) Source: Fitch Sovereign Data Comparator, as of June 2021, except for Uruguay that corresponds to official fiscal outturns as reported by the Ministry of Economy and Finance. In all cases, corresponds to the General Government.

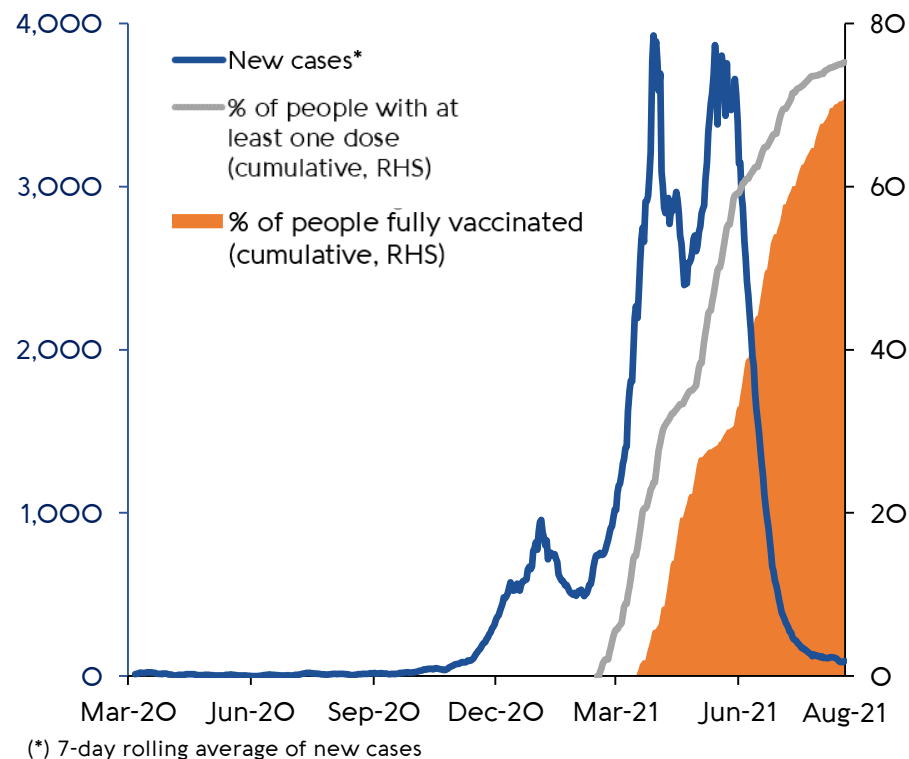
After surging in April-June 2021, virus spread has decreased significantly through swift vaccination campaign



Vaccination program has been fast and encompassing: more than 75% of the total population already received at least one dose

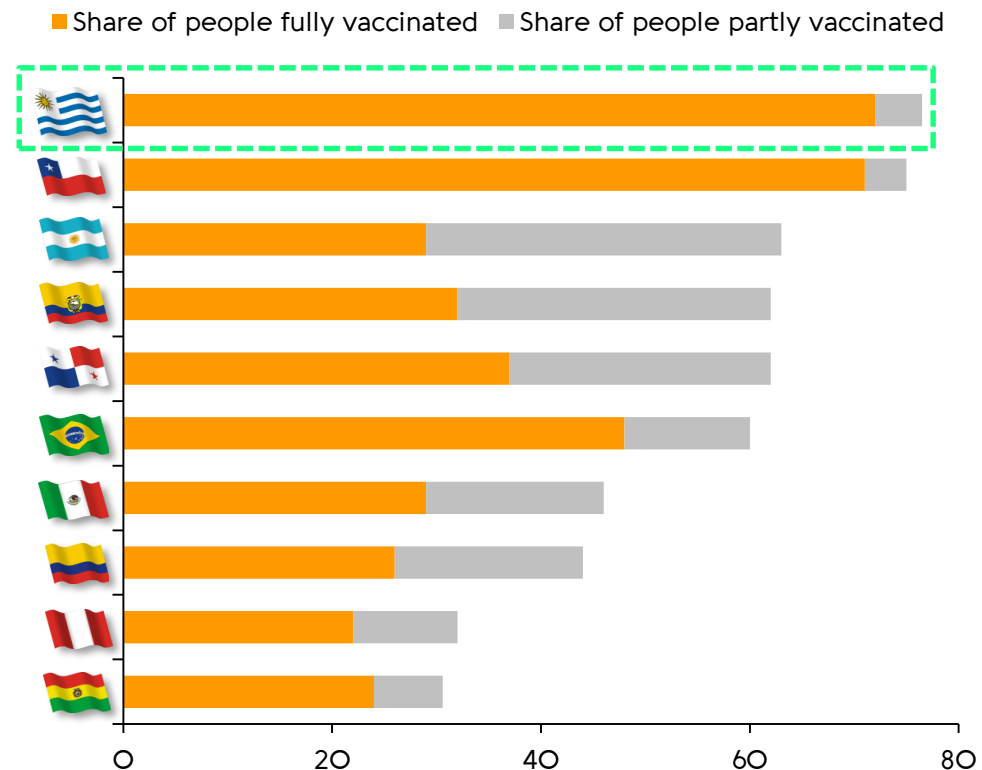
Evolution of Covid-19 cases and vaccinations

(As of August 31st, 2021)



People vaccinated, by number of dose

(Share of total population, as of August 31st, 2021)



Vaccine Program Update as of August 31st, 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 began applying a third booster dose of the Pfizer vaccine for all those who received previously two doses of Sinovac (approximately 1,500,000 people).

The economy is gaining momentum



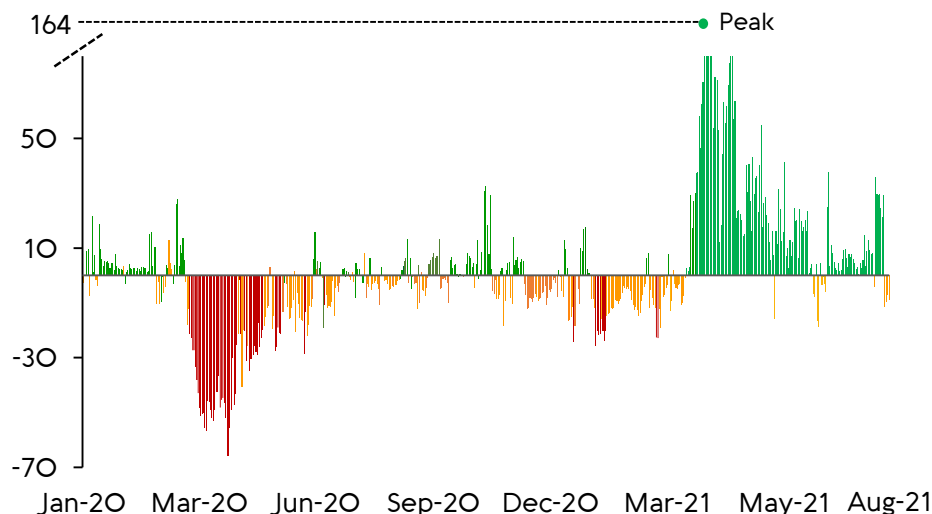
Leading economic indicators suggest that a recovery is underway amid higher social mobility, with a positive impact on fiscal revenues



Industrial production is recovering strongly, and tax revenues remain resilient

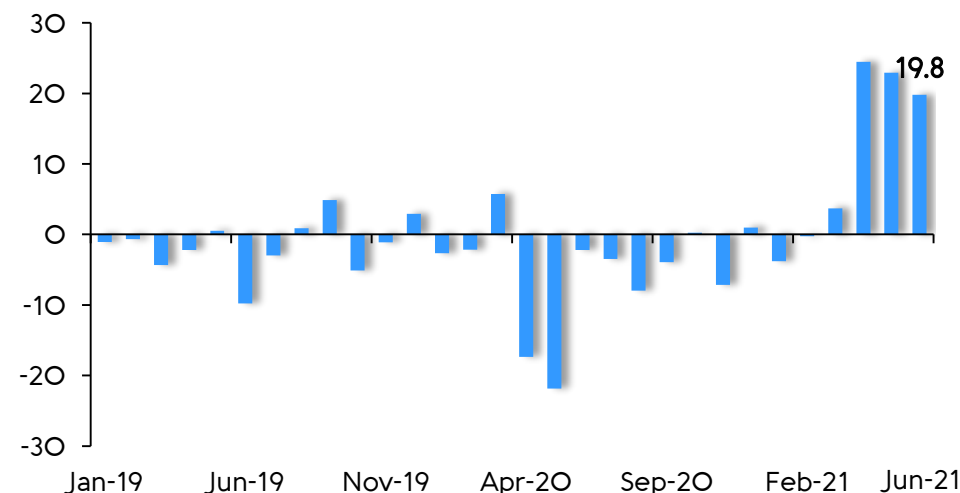
Gasoline Demand ⁽¹⁾

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



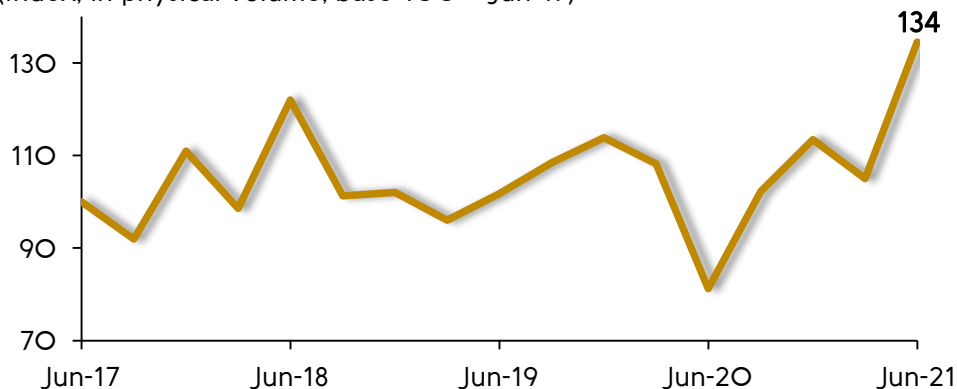
Manufacturing Production ⁽²⁾

(YoY real change, in %)



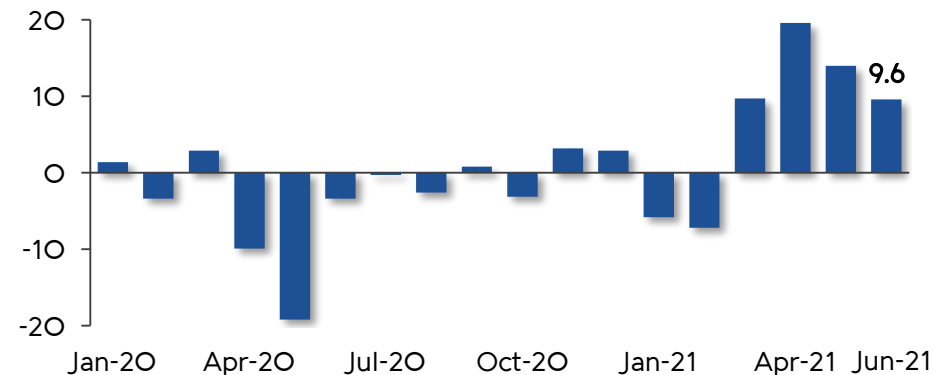
Investment in Machinery and Equipment ⁽³⁾

(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)

Higher commodity prices and goods exports are lifting the agricultural sector



Tailwinds from higher commodities prices and increased extra-regional competitiveness, although increasing oil prices have tempered improvement in terms of trade

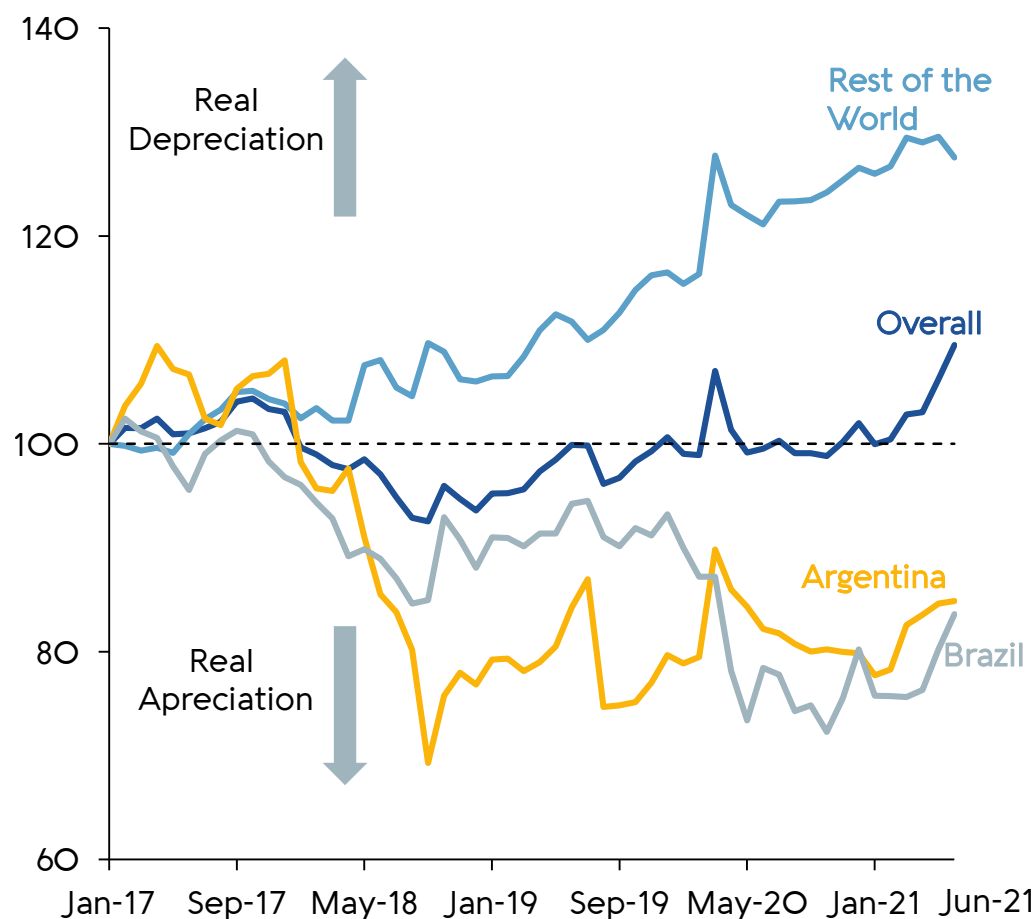
Commodities Exports Price Index⁽¹⁾

(Index base 100 = January 2020)



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

(Index base 100 = January 2017)



(1) Source: CPA Ferrere based on Bloomberg and National Institute of Meat of Uruguay (INAC). Includes soybeans, meat, rice, dairy products, and pulp weighted by incidence in exports.

(2) Source: Central Bank of Uruguay

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



Strong 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.



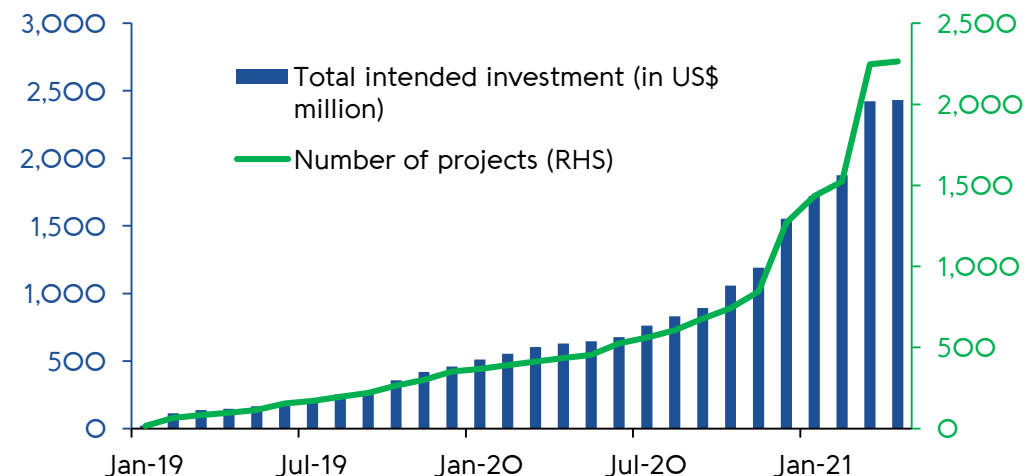
- ✓ Foreign investors are granted the same incentives as local investors: there is no tax discrimination or restrictions for transferring profits abroad.

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)

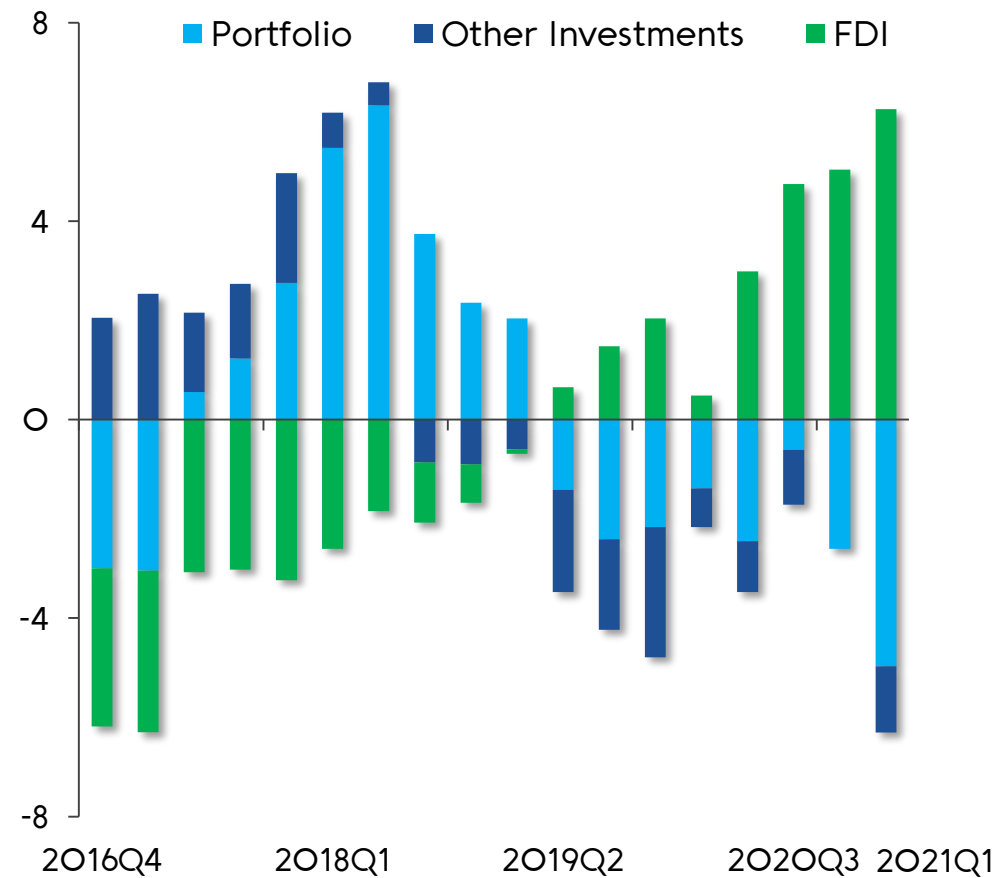


Uruguay has become an attractive destination for foreign direct investment

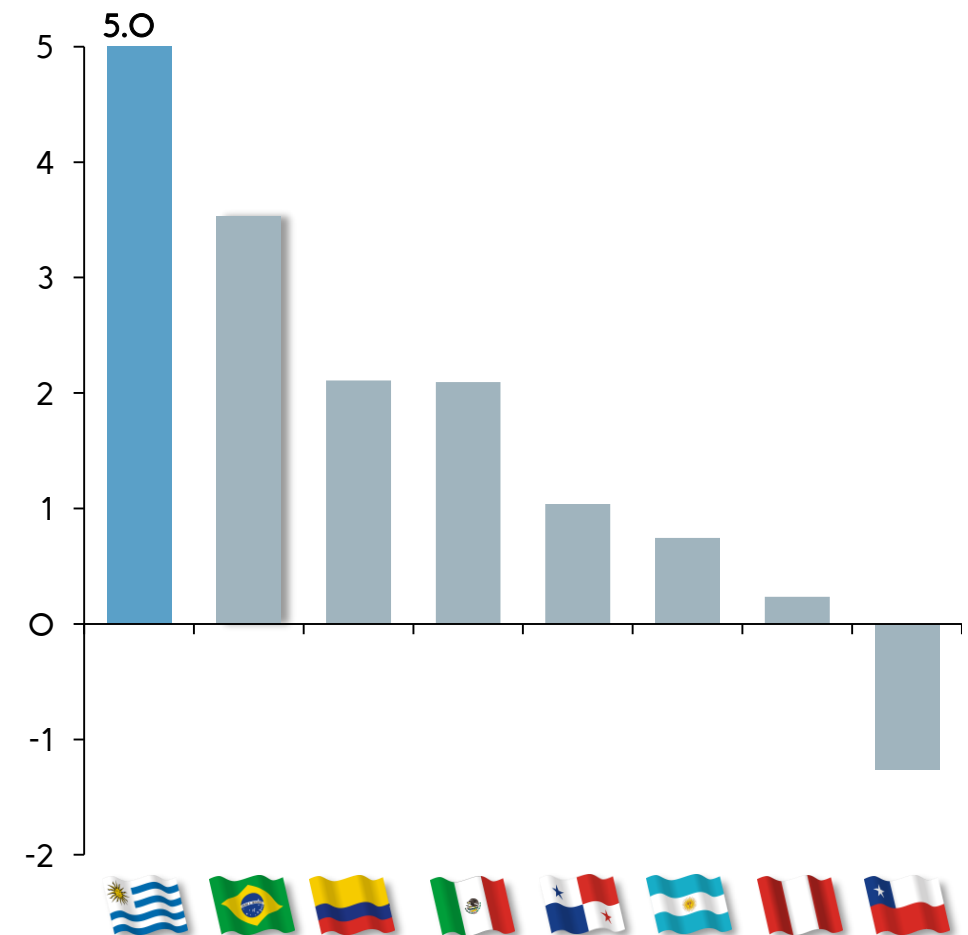


Progress on UPM investment is already showing up on FDI inflows

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



FDI 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.

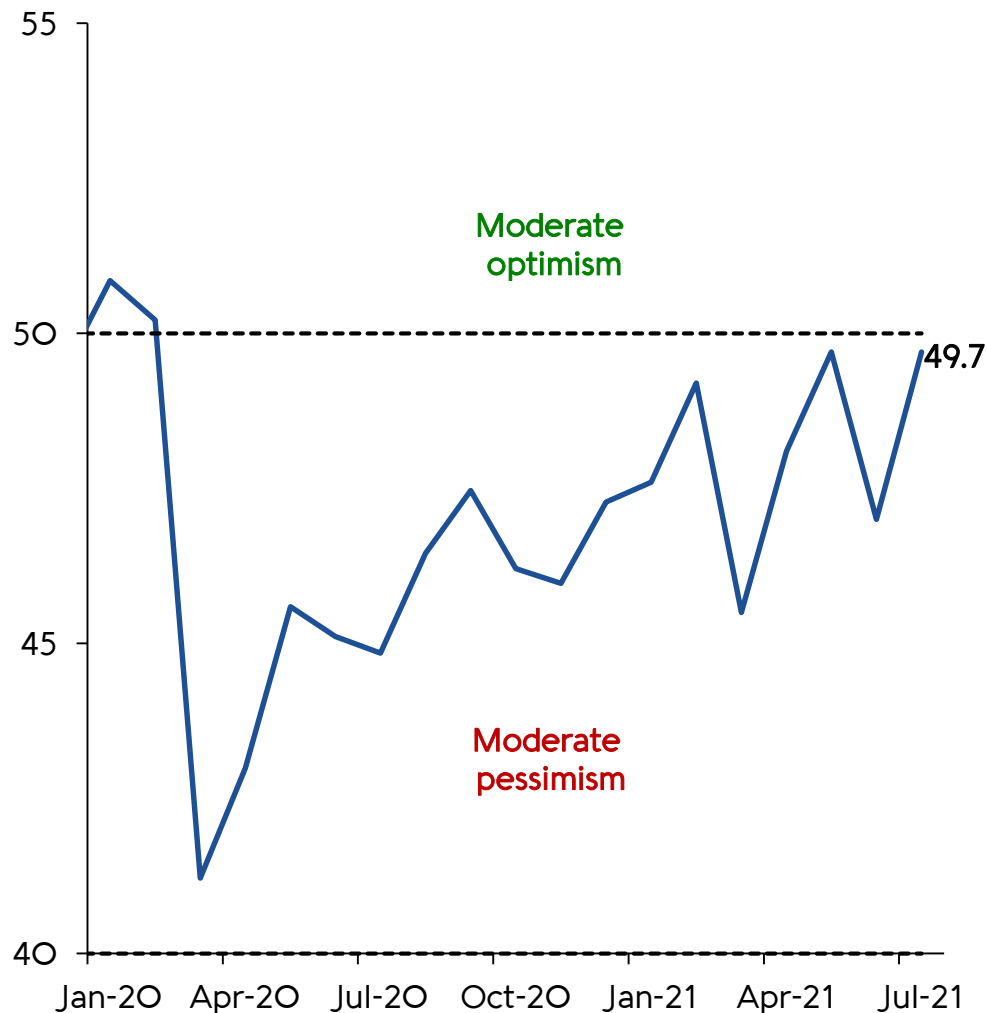
(2) Source: World Investment Report 2021, United Nations and WEO April 2021 (in the case of Uruguay it uses GDP data as published by the Central Bank).



2 Recovery in consumer confidence has been uneven, reflecting a lackluster labor market

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

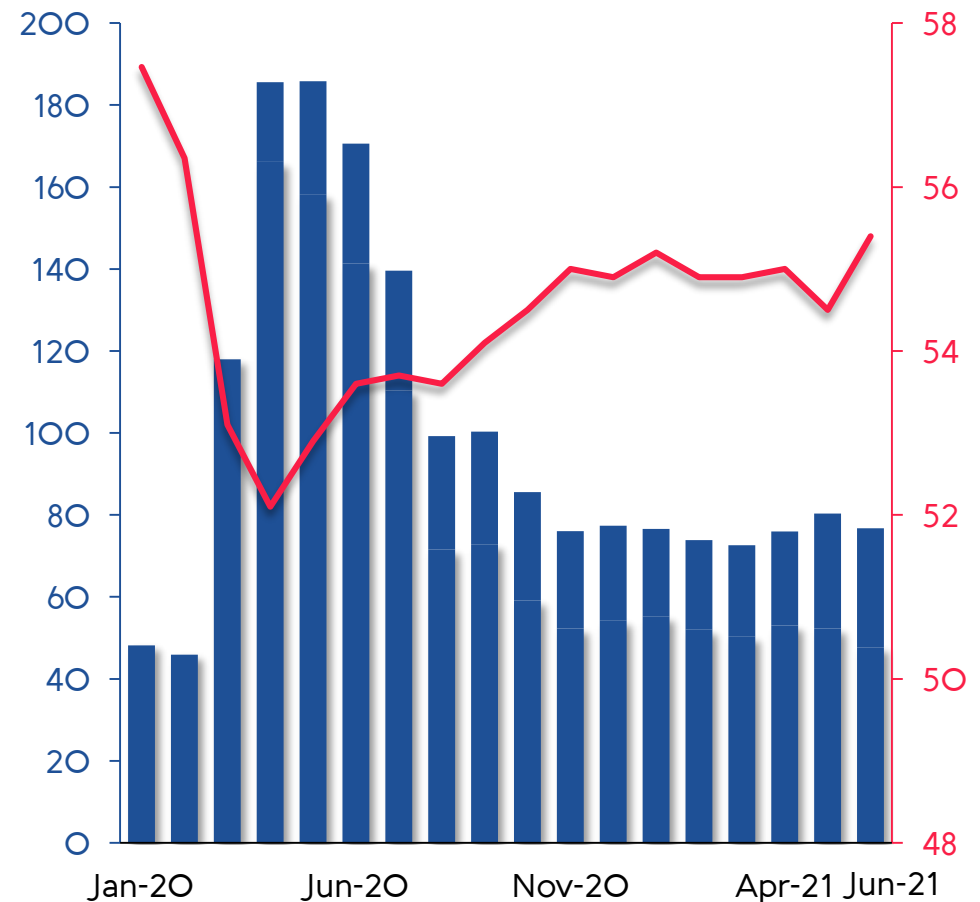
Consumer Confidence Index ⁽¹⁾



Unemployment Insurance and Employment Rate ⁽²⁾

Number of beneficiaries of Unemployment Insurance, in thousands

Employment rate, in % of working age population



(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.

Pillars of the new fiscal rule are aligned

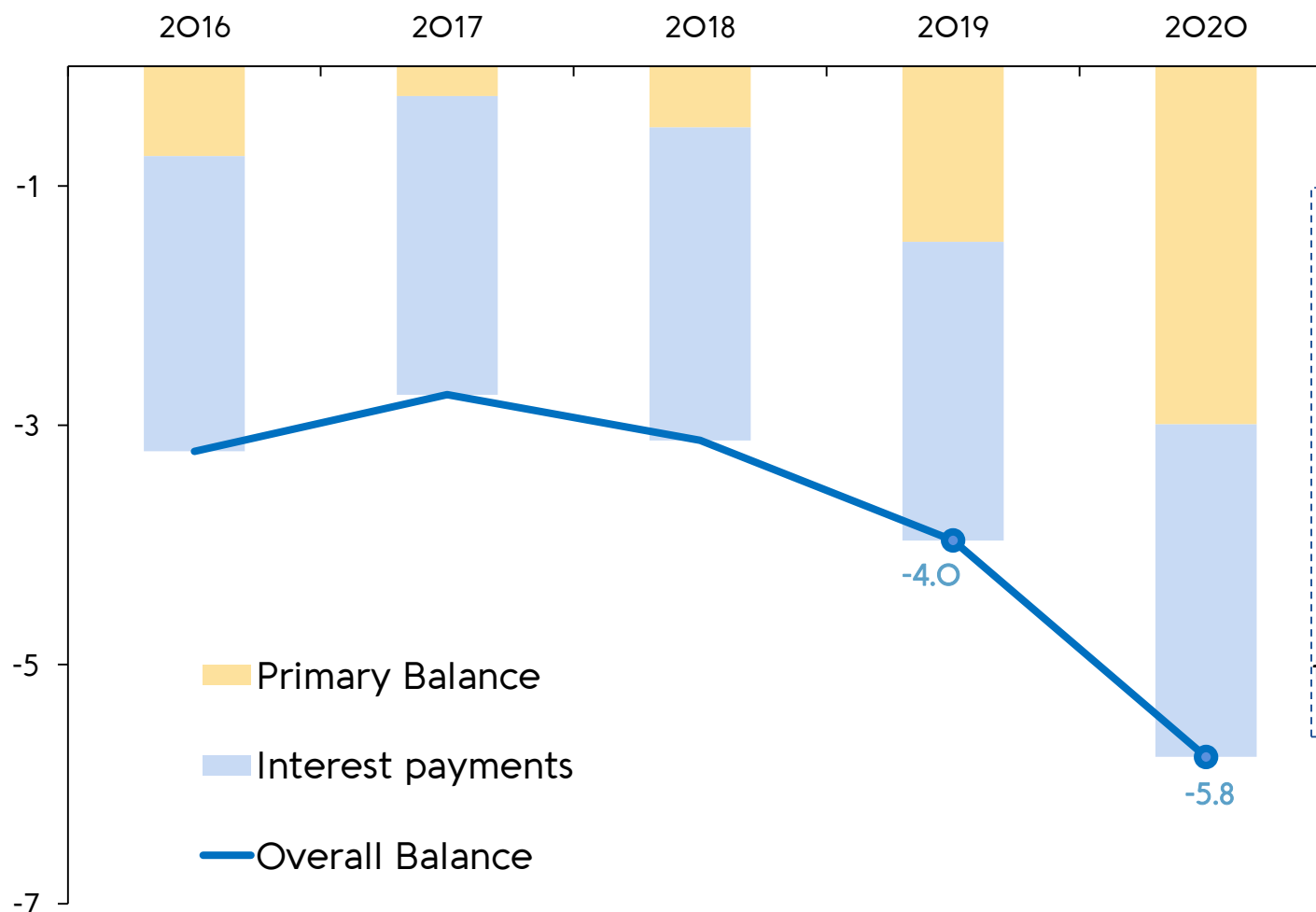


Fiscal targets met in 2020 on the back of disciplined policies and new fiscal framework...



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.



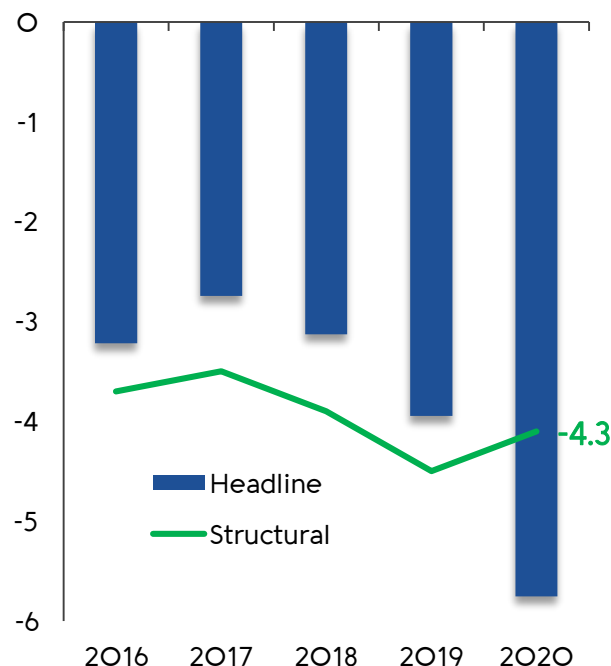
Austerity measures based on more efficient discretionary spending and spending oversight allowed to meet all three pillars of the newly-adopted fiscal rule

✓ **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

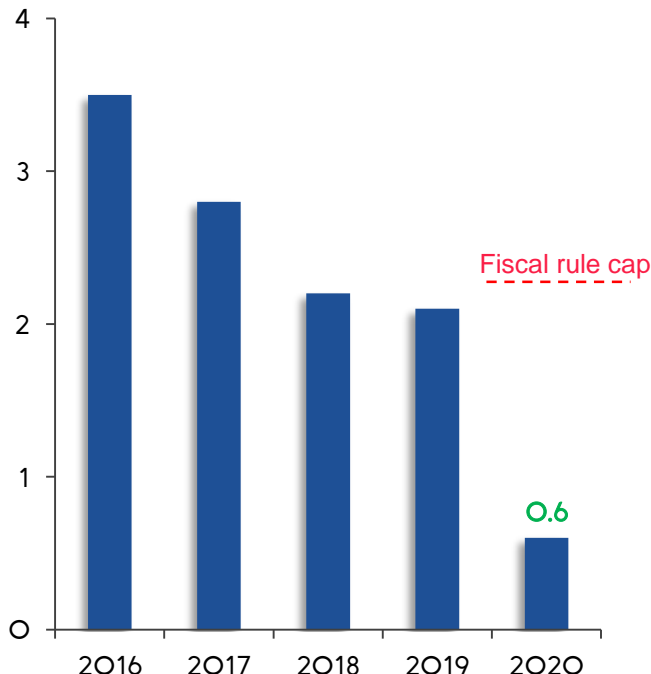
✓ **Binding maximum level of annual net indebtedness** in absolute dollar amount

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.

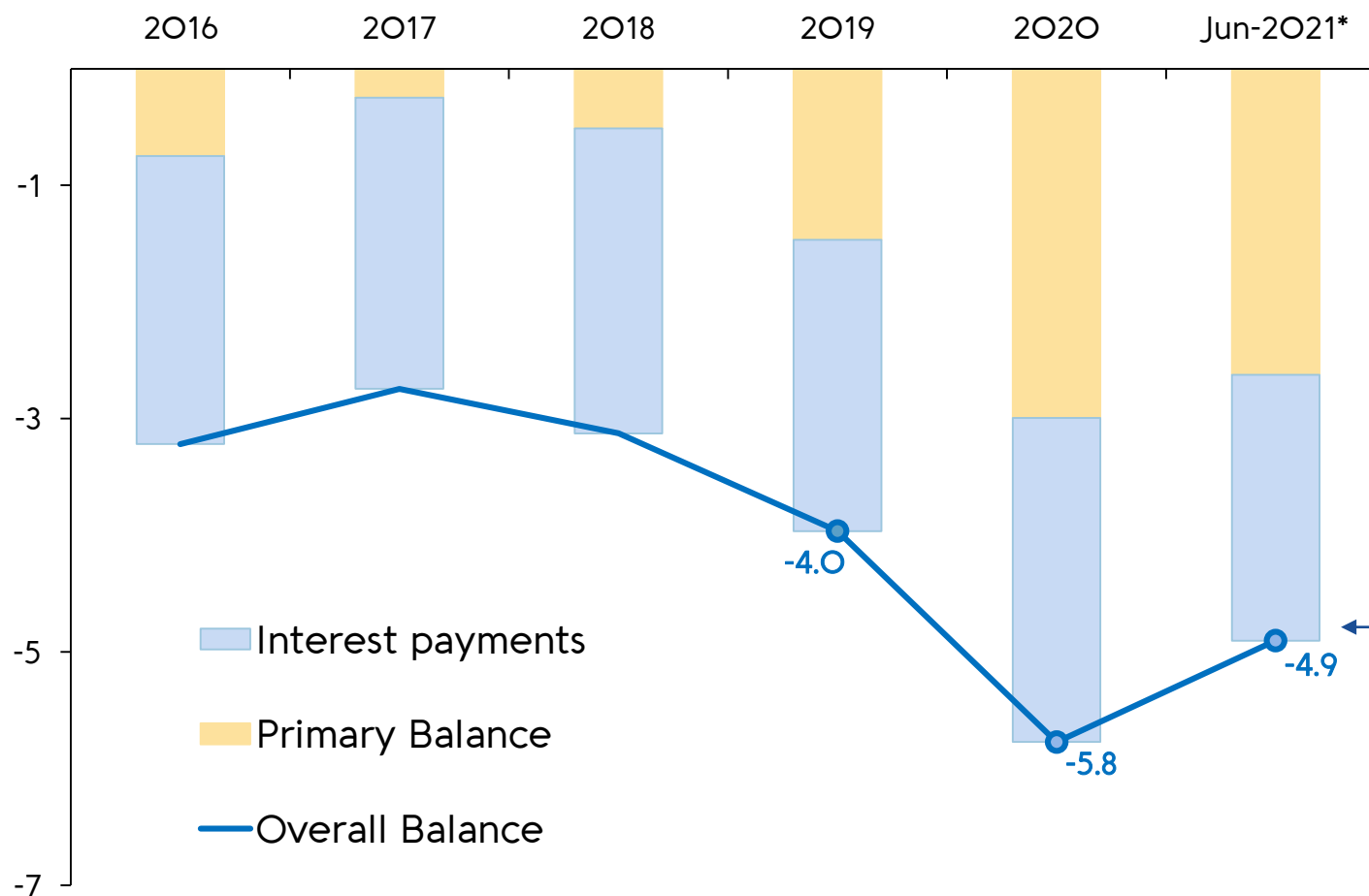
For 2021, the government is targeting an improvement in the fiscal balance...



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.

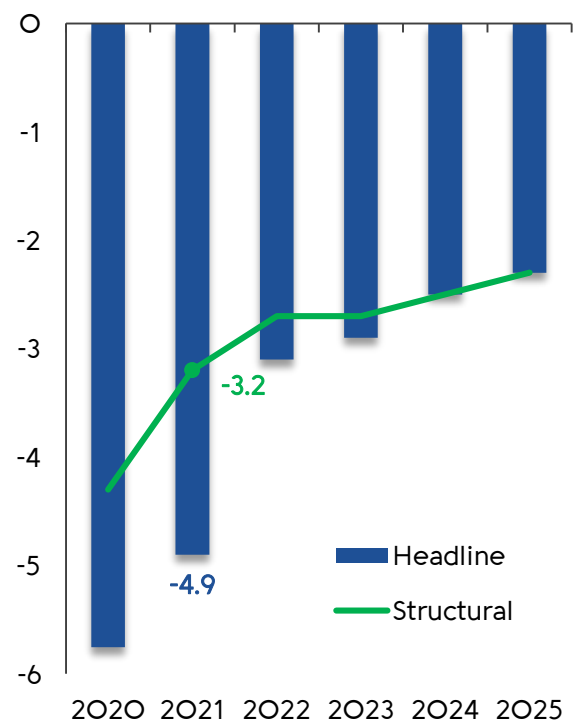
(1) Does not include extraordinary inflows to the Social Security Trust Fund.
Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay

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



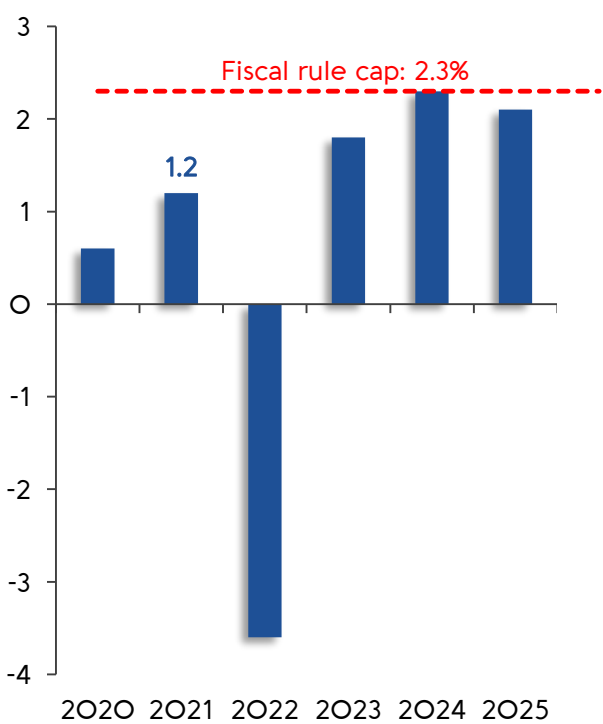
The structural deficit of Central Government is projected to decline around 1 p.p of GDP in 2021

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



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

Primary Spending
(Annual real variation, in %)



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

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

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.

Building a new monetary policy framework



Hornero (*Vanellus chilensis*), in the door of his nest. Photo credit: Emi Abe

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



Enhancements to monetary policy framework, communication strategy and de-dollarization policies

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.

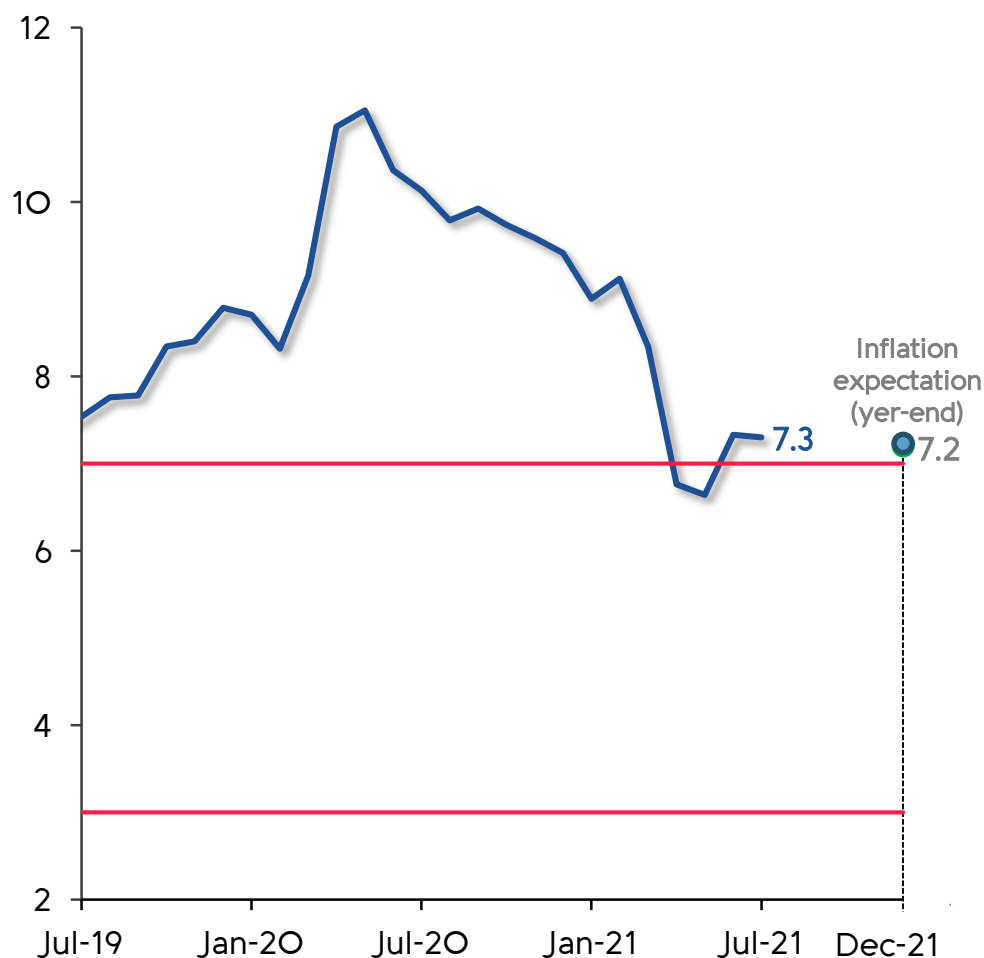
4 Inflation has been trending significantly down, although remains slightly above inflation target



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

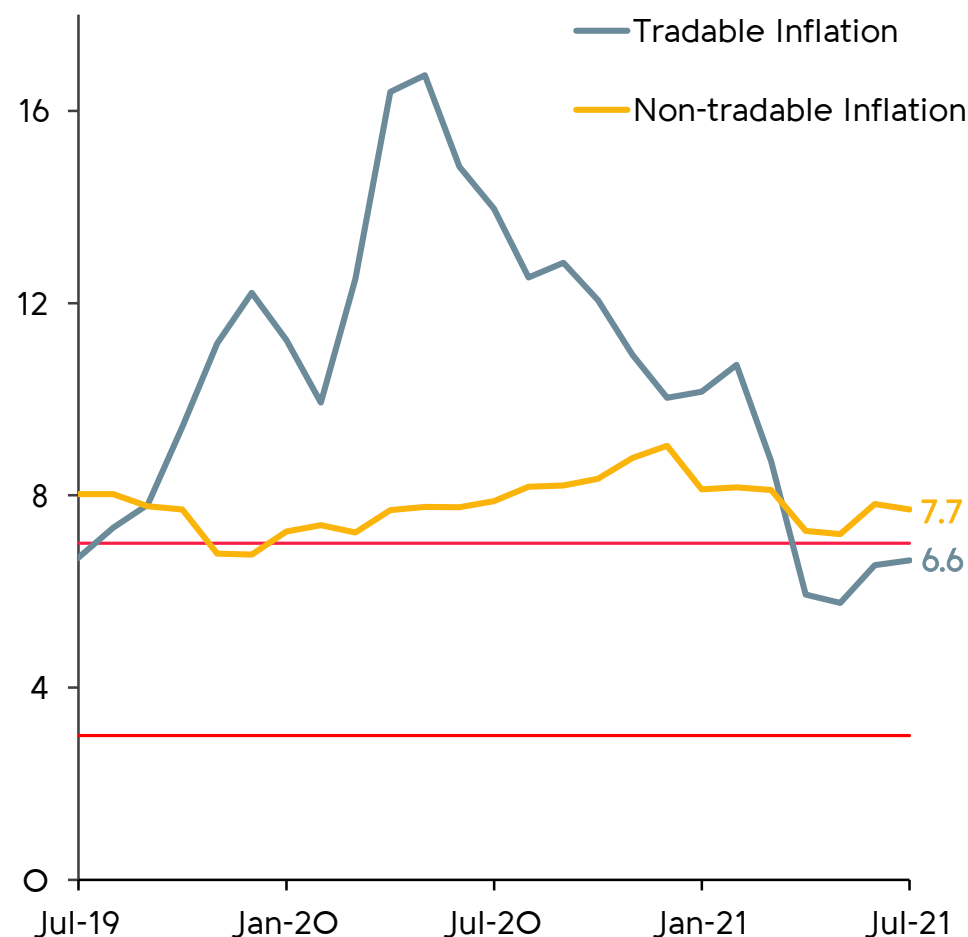
Headline Inflation ⁽¹⁾

(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 August 2021..

(2) Source: Central Bank of Uruguay

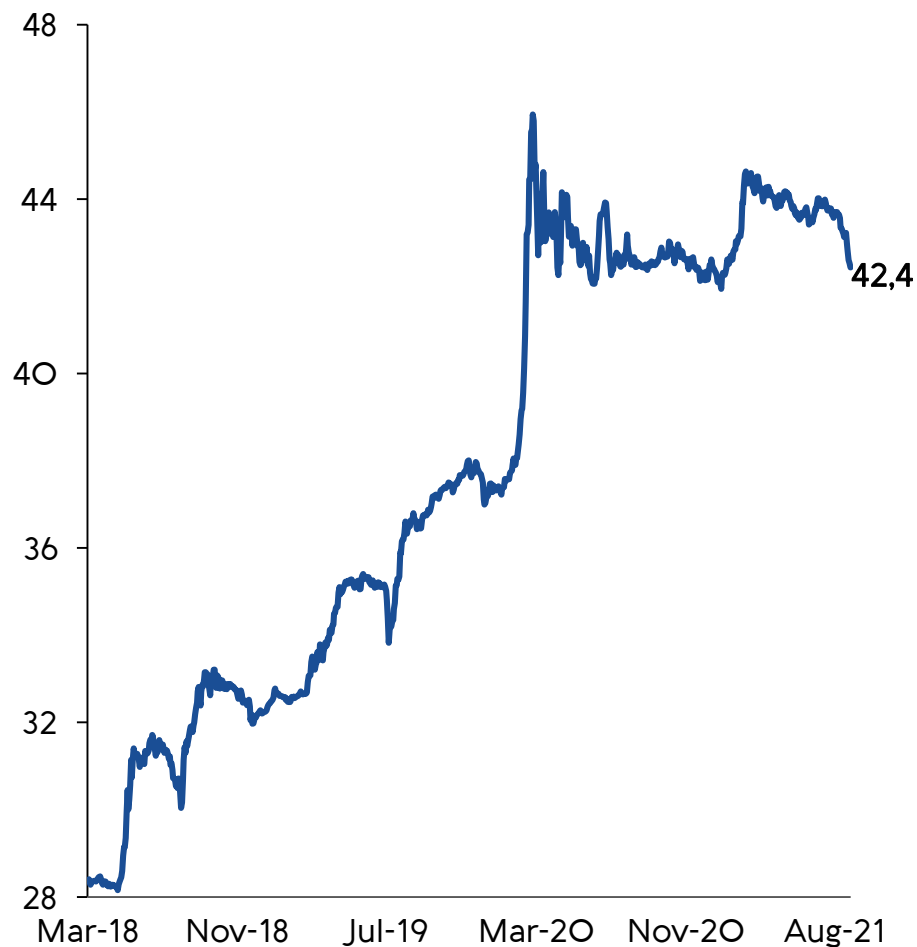
Significant decline in FX volatility over the past few months, with a low correlation to external risk drivers



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

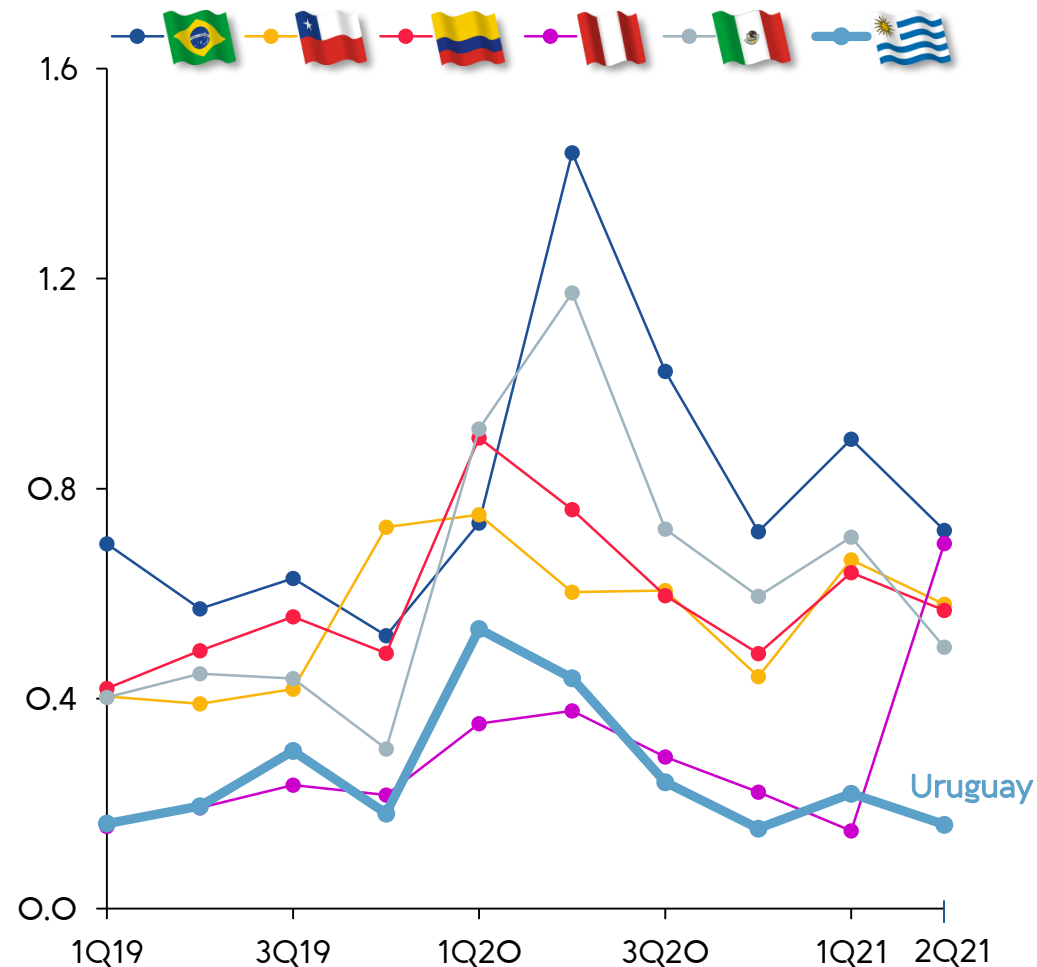
Nominal Exchange Rate in Uruguay ⁽¹⁾

(pesos per dollar, as of August 31st, 2021)



Nominal Exchange Volatility in Latam ⁽¹⁾

(Quarterly average of absolute value of daily percent changes)



(1) Source: Central Bank of Uruguay

(2) Source: ECLAC, based on Bloomberg

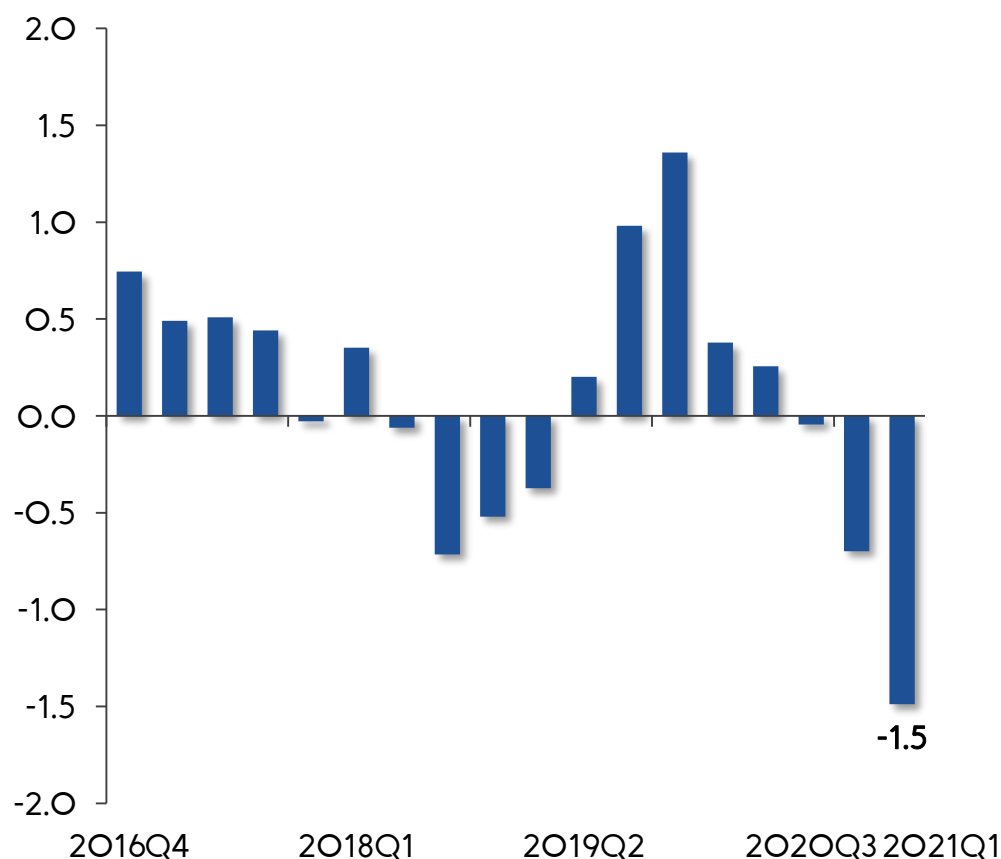
Moderate current account deficit and large international reserves



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

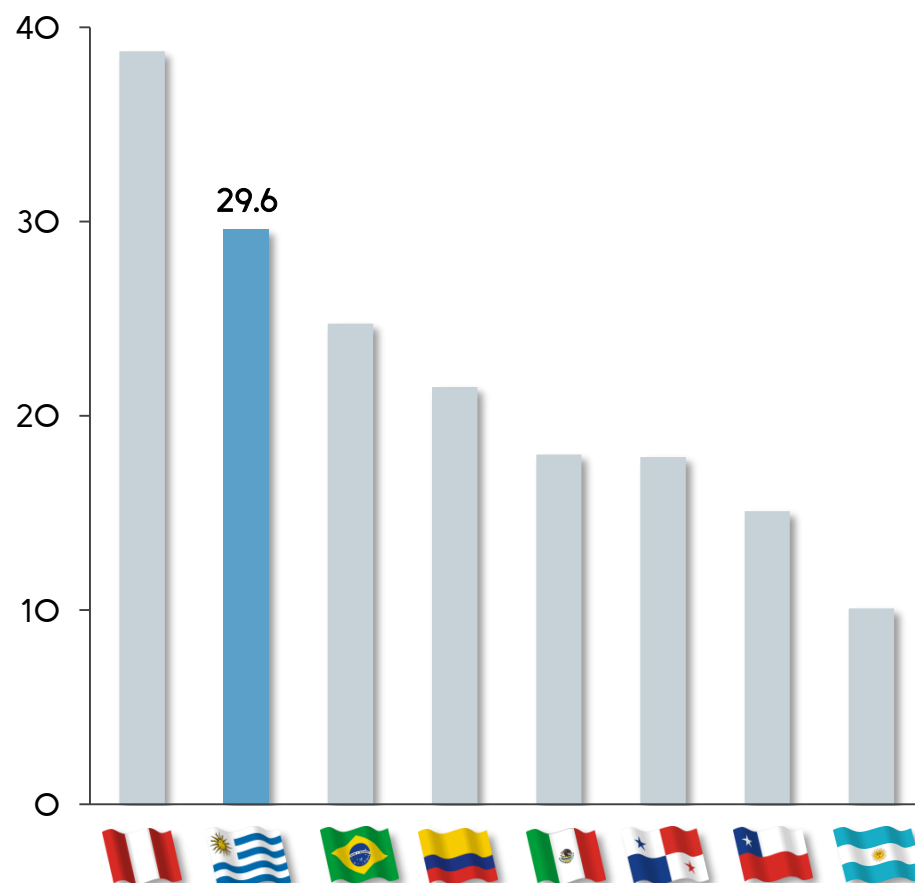
Current Account Balance of Uruguay ⁽¹⁾

(Rolling 4-quarters, in % of GDP)



International Reserves in Latam ⁽²⁾

(In % of GDP, as of end-March 2021)



(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

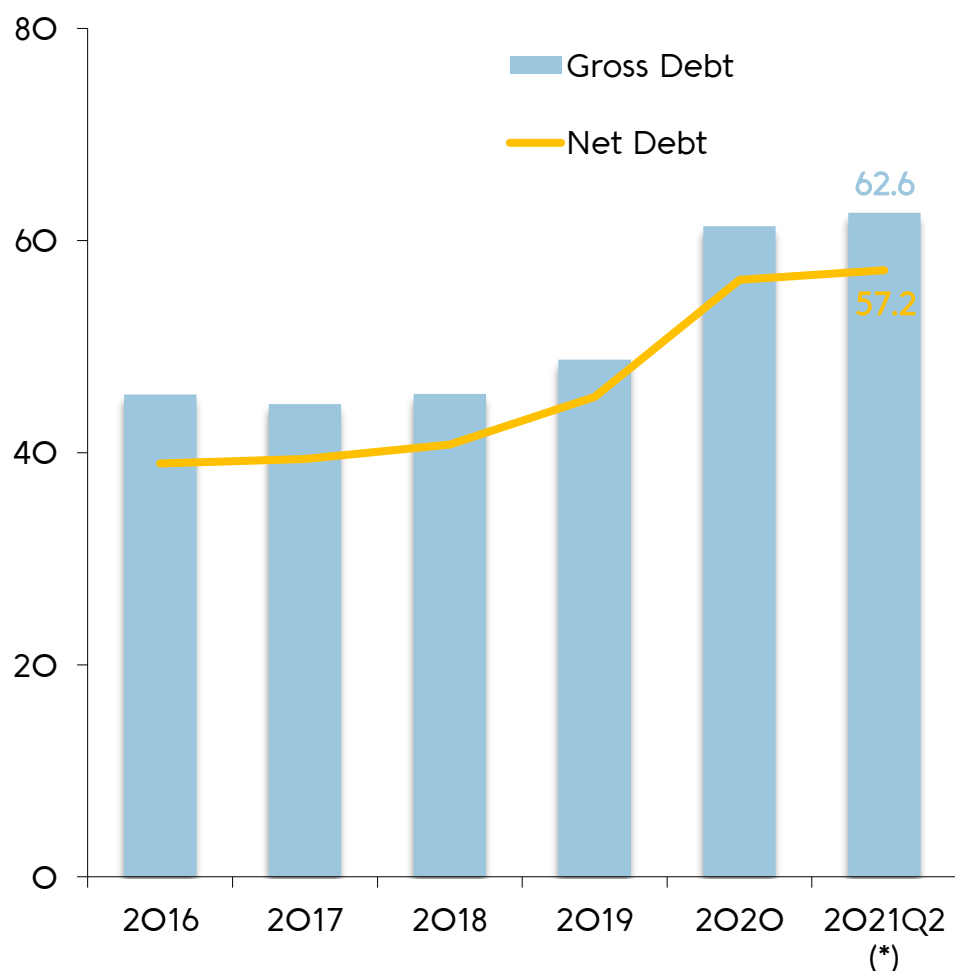
Proactive sovereign debt management strategies to de-risk debt portfolio and diversify investor base



Improvements in currency and maturity structure of debt in line with debt management goals set in the budget

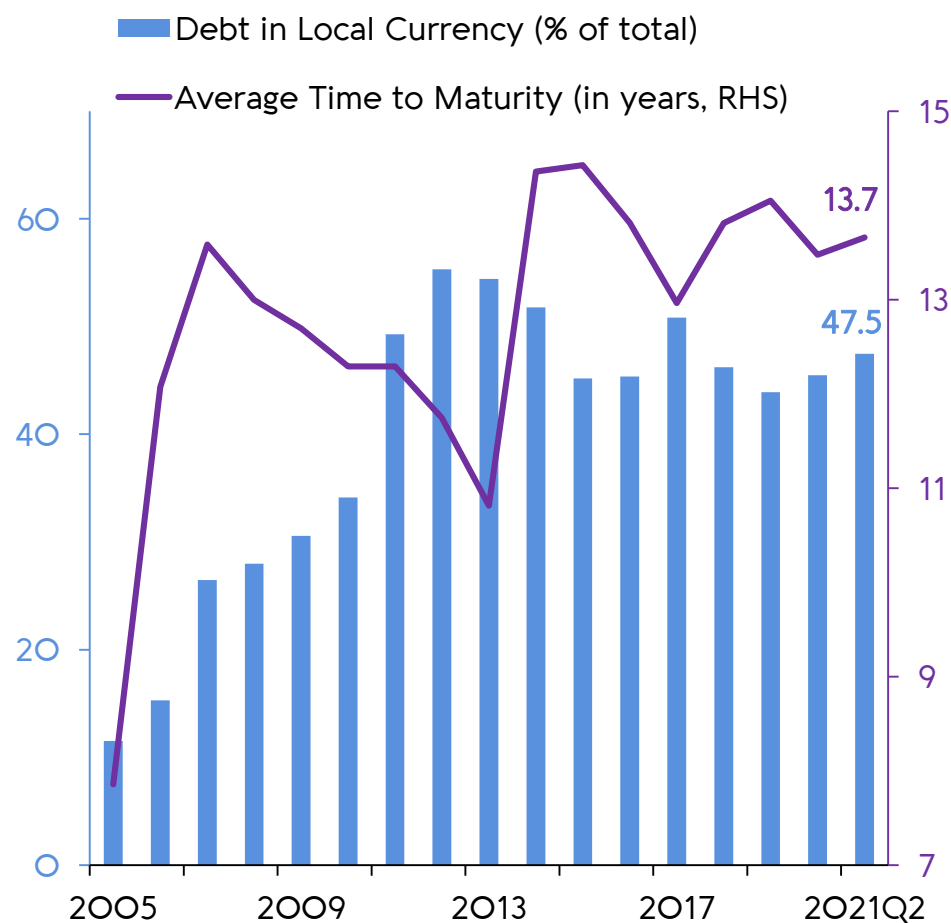
Gross and Net Debt Stock of the Central Government

(As of end-period, in % of GDP)



Currency and Maturity Composition of Debt

(As of end-period)





- Seek a balanced currency composition of debt in terms of local and foreign currency.
- Diversify sources of funding across markets and continue building a large and diverse investor base.
- The bedrock of this diversification strategy will continue to be a transparent, predictable and proactive approach towards investor relations and data dissemination.
- Provide timely and detailed information on financing plans, debt instruments and statistics, economic indicators, ESG fundamentals, rating agencies' reports and the legal framework governing public indebtedness.



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

Almost 70% of targeted issuance has been completed as of August.

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.

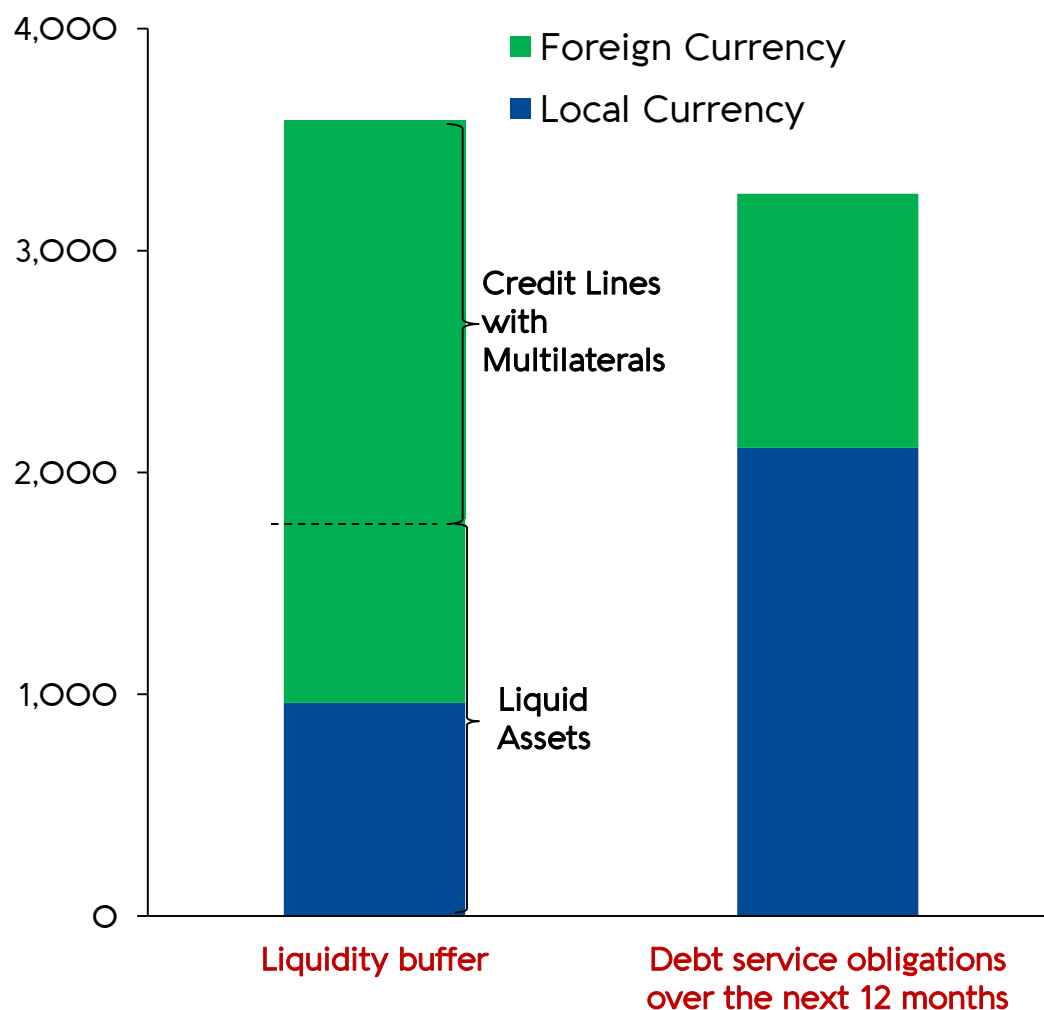
7 Large liquidity buffers and precautionary credit lines of the Central Government provide financial backstops



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

Uruguayan society takes ESG factors very seriously



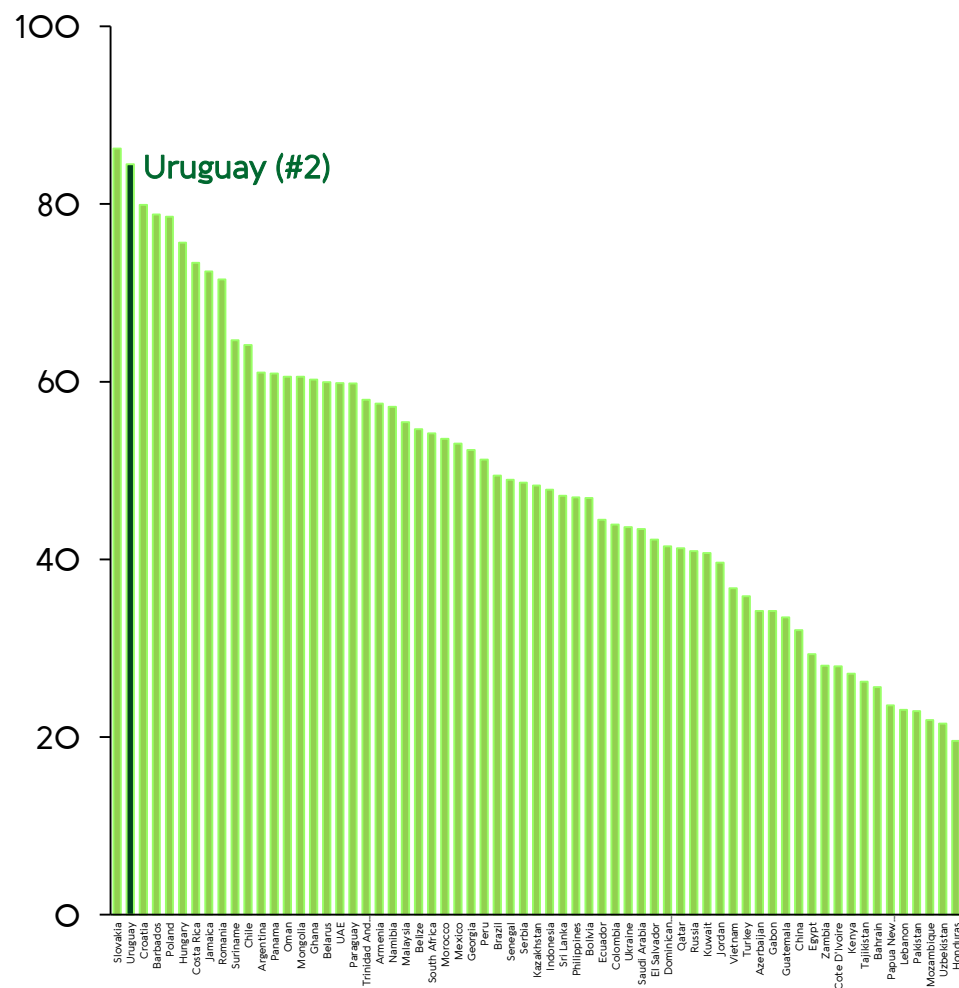
Lechucita de campo (Athene cunicularia). Photo credit: Leonardo Colistro

Uruguay is one of the top global performers on ESG fundamentals



Emerging Markets' ESG Score

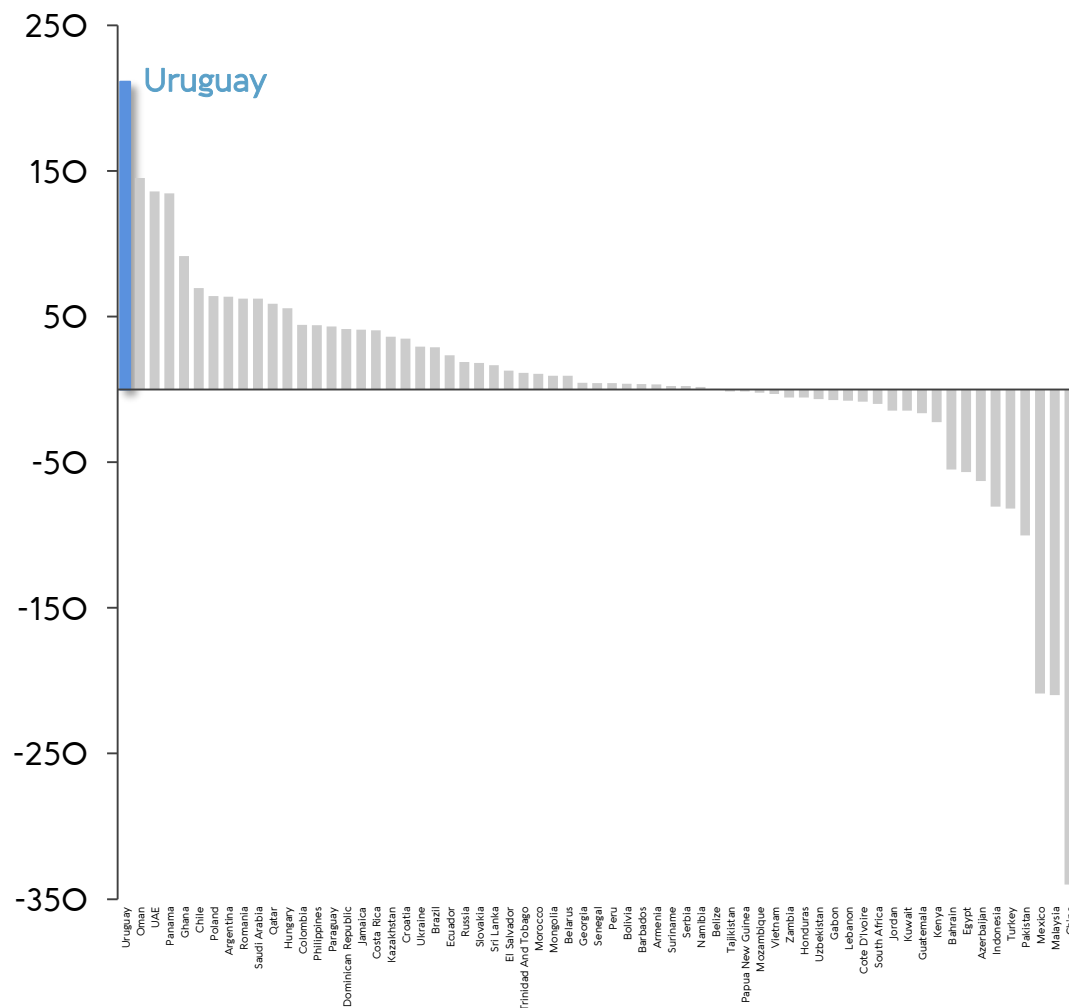
(Index, 100 = best performance; as of end-July, 2021)



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.

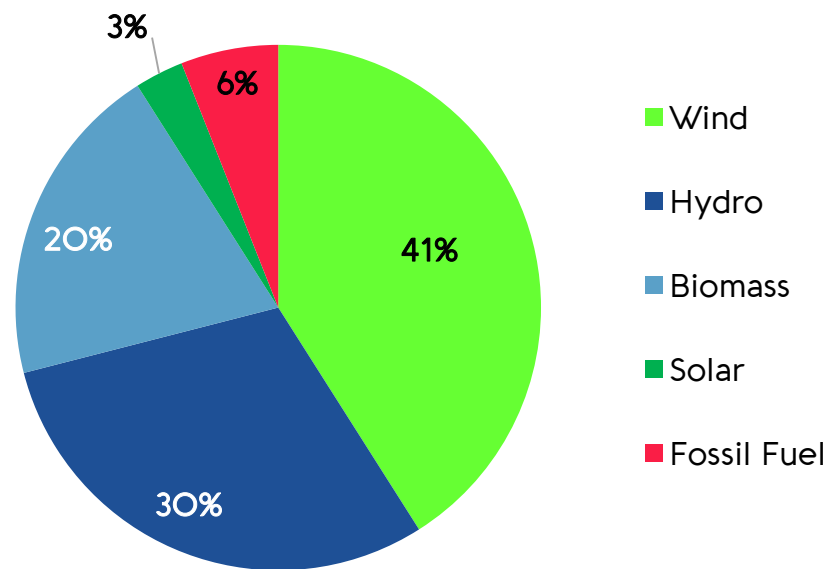
Disclaimer: "Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2021, J.P. Morgan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

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



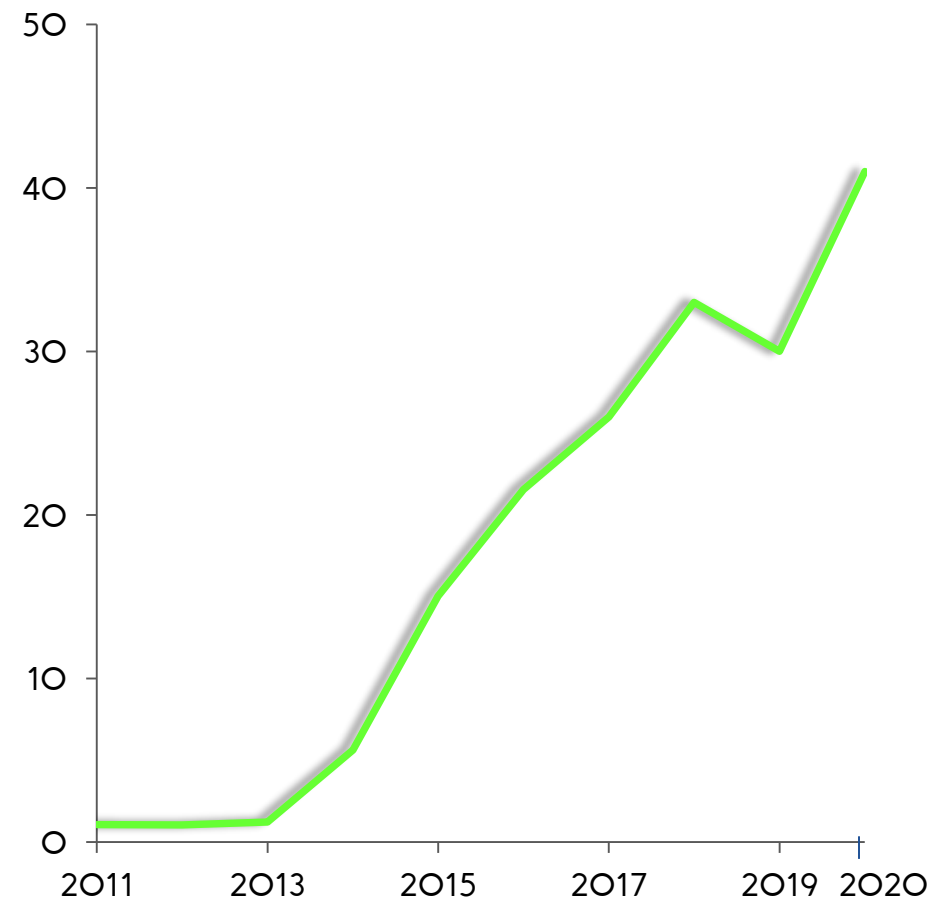
Rapid decarbonization of electricity system and plan for robust mitigation measures across all emission-intensive sectors

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

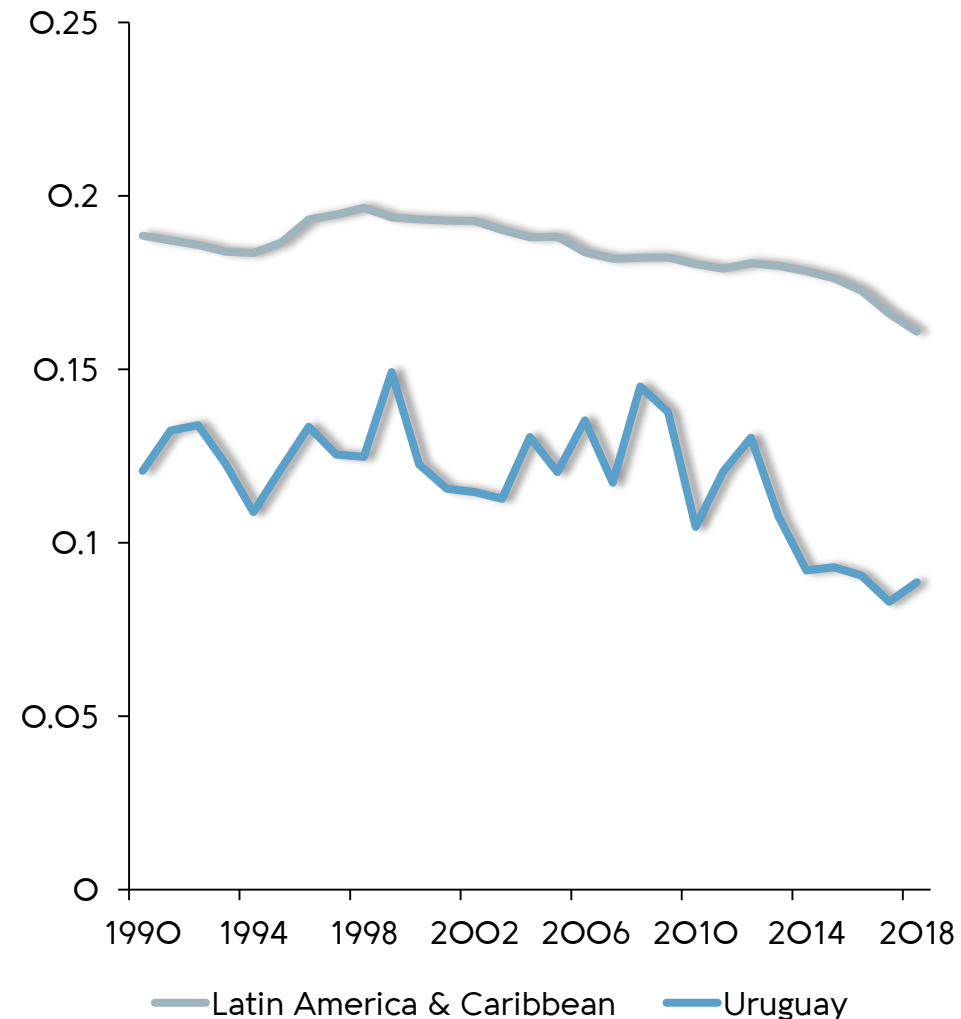
... and remains at the forefront of environmentally-friendly policies, reflected in low air pollution and carbon intensity



Ranked #1 in the:

- 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)



The Government is committed to 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 launched the national road-map for green hydrogen production.
 - Generation of local capacities with Japanese cooperation (JICA).

- 8 In 2021, the government launched a new roadmap for developing green hydrogen energy production.



In April 2020, the MoF of Uruguay and JBIC signed a Memorandum of Understanding to promote environmentally-friendly policies and collaborate on green hydrogen technologies

Uruguay's Key Attributes for Becoming an Exporter of Green Hydrogen in the Medium Term

#1. Generation Potential

Great potential for the generation of electricity from wind and solar photovoltaic energy sources.

3. Privileged Logistics Location

Coast to the Atlantic Ocean and access routes to the entire country.



2. Capacity of Complementarity

High installed capacity of energy factors (approx. 60%) due to complementarity between renewable sources of energies.

4. Strong Institutions and Predictable Policy Framework

Reflected in low credit spread.

Thank you. Hope to see you soon!





**República Oriental
del Uruguay**

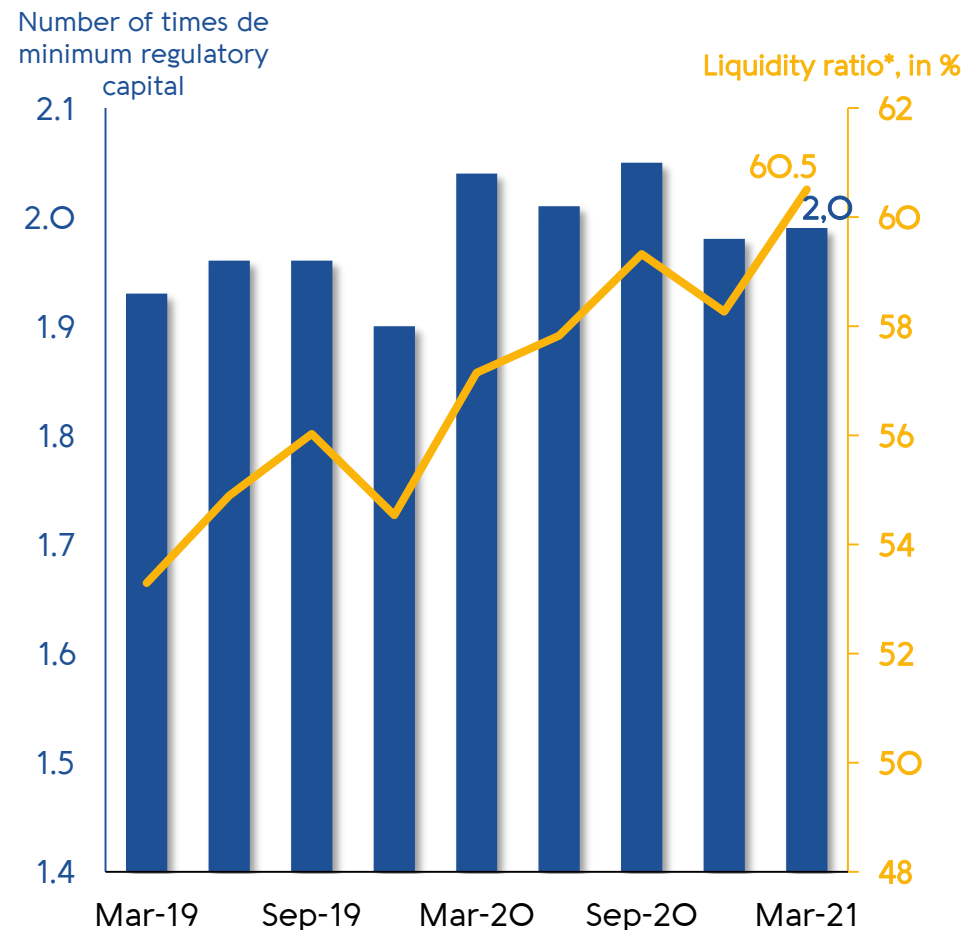
Annex

Banking sector remains profitable and well-capitalized with high liquidity levels



Strong solvency and liquidity position support credit measures of the Central Bank and the sovereign-guaranteed loan program.

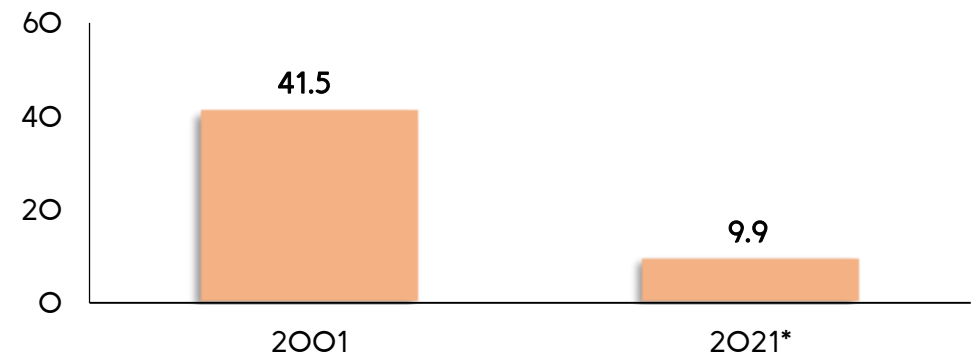
Solvency and liquidity of the banking system



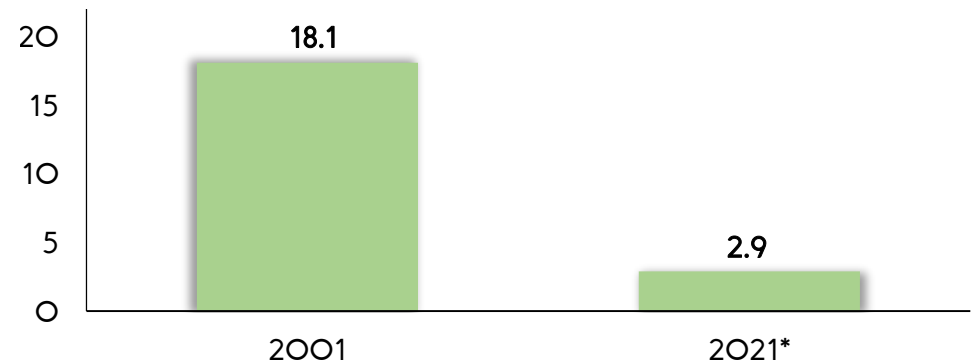
(*) Share of liquid assets (up to 30 days) over total assets.

Banking system's balance sheet exposure to non-residents (To the non-financial sector, % of total)^{1/}

Deposits



Loans



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

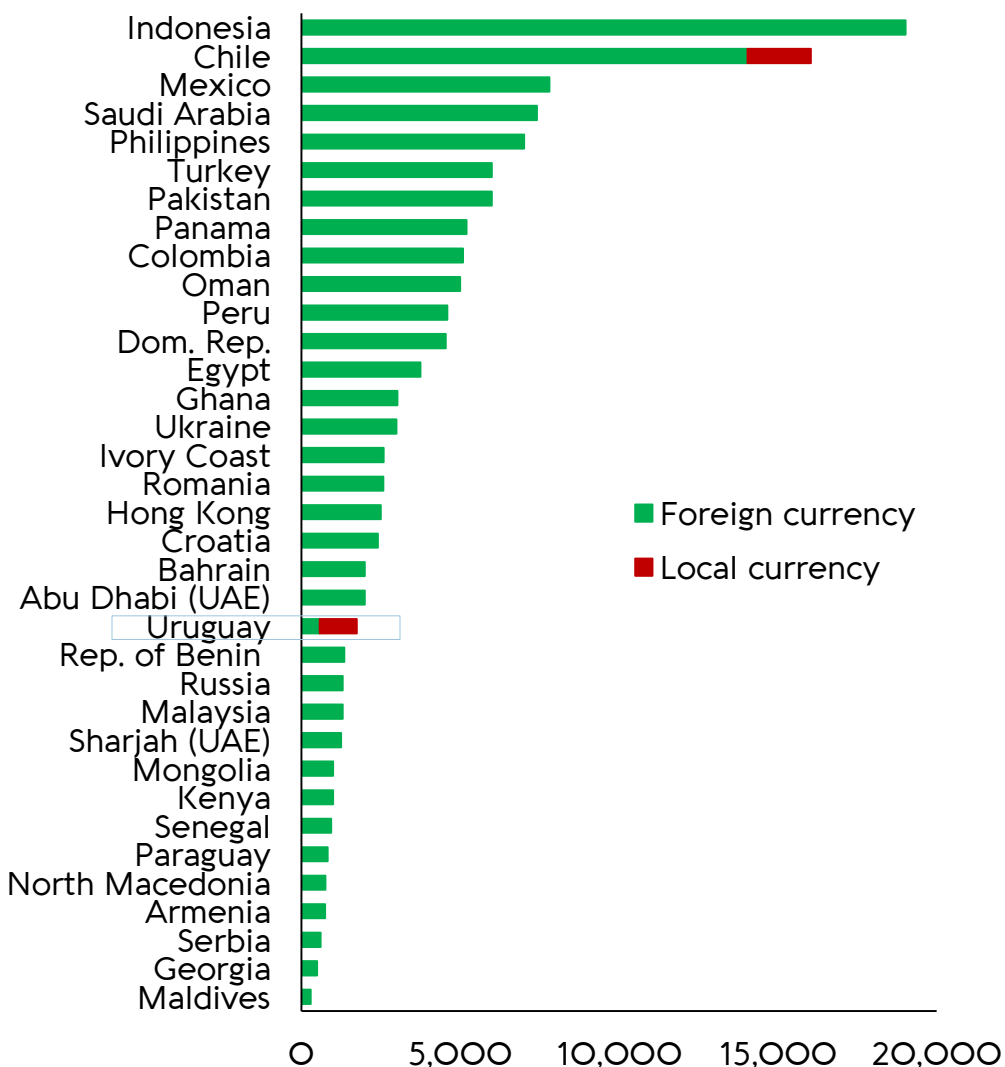
(*) As of June 2021.

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



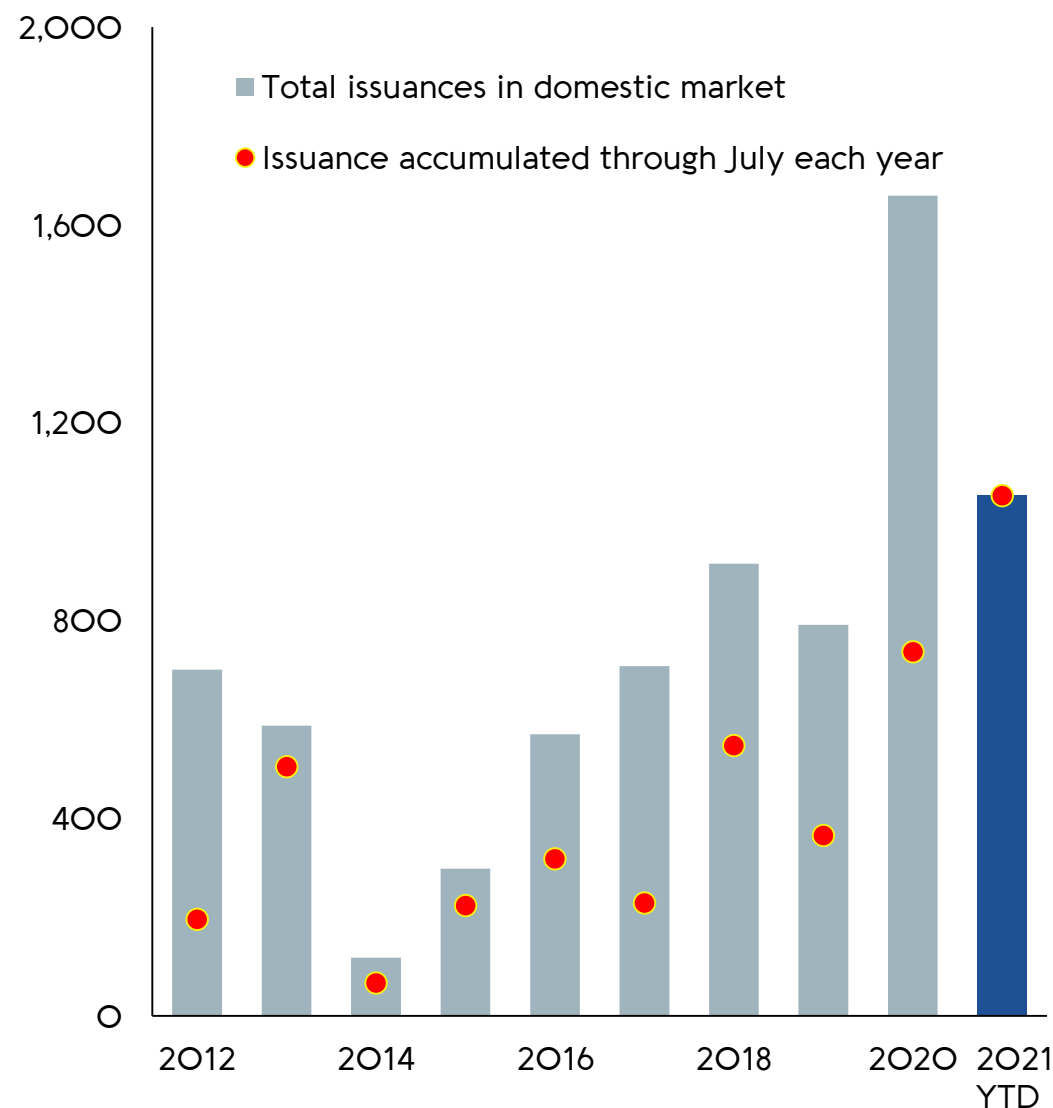
Emerging Markets: Sovereign International Bond Issuances during 2021 (*) (1)

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



Uruguay: Treasury Notes Issuances in Domestic Market (2)

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



(*) 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.

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