República Oriental del Uruguay
Investor Presentation
August 2022

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

Ministerio
de Economía
y Finanzas

Key Credit Highlights

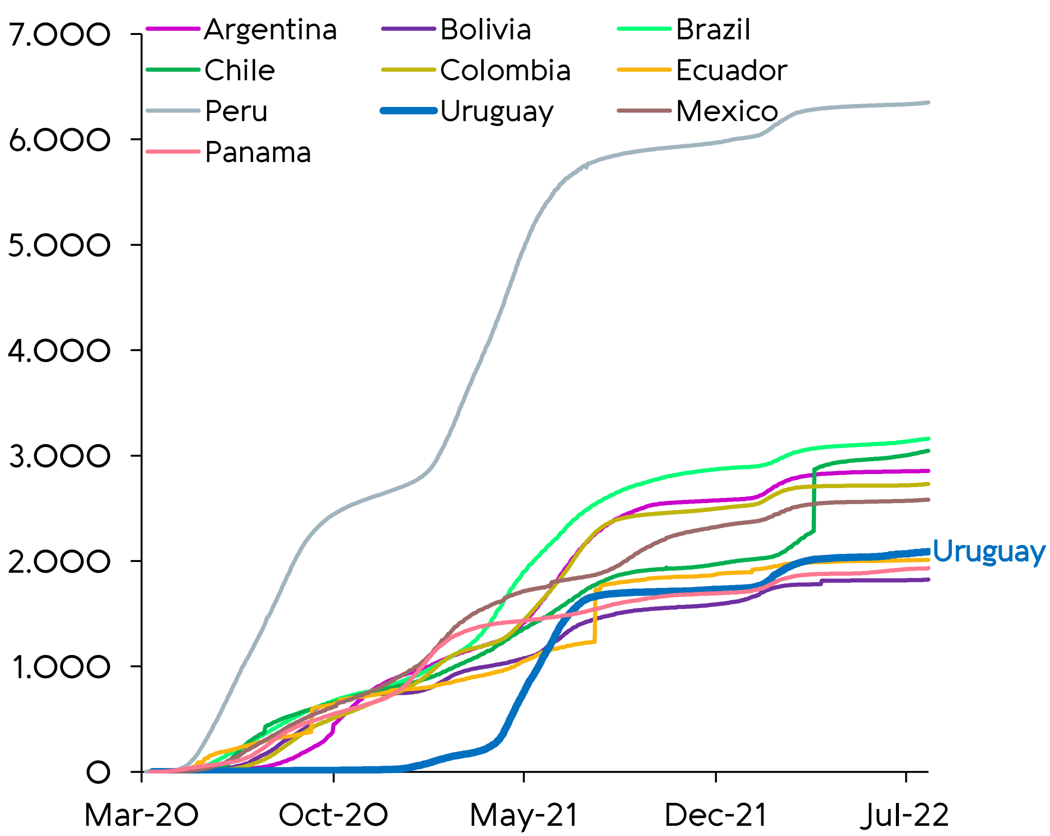
1. Swift vaccination plan since early 2021 has muted fatality rates tied to Covid-19, and allowed for a faster renormalization of economic and social activities.
2. Strong economic recovery underway, driven by foreign direct investment, industrial production and higher commodity exports.
3. Fiscal targets achieved for two consecutive years under new fiscal rule.
4. Tighter monetary policy focused on reducing inflation and anchoring inflation expectations.
5. Resilient current account and large international reserve buffers.
6. Government forges ahead with structural reforms after referendum, including social security, public enterprises and international trade integration.
7. Uruguay is among the top global performers on ESG fundamentals, and a bastion of institutional, social and political stability.
8. Sovereign funding strategies focused on de-risking debt portfolio in a cost-efficient way, while aligning debt financing to environmental goals.

Swift vaccination plan since early 2021 has muted fatality rates tied to Covid-19 spread, without imposing lockdown; end of sanitary emergency in Uruguay in April 2022

1

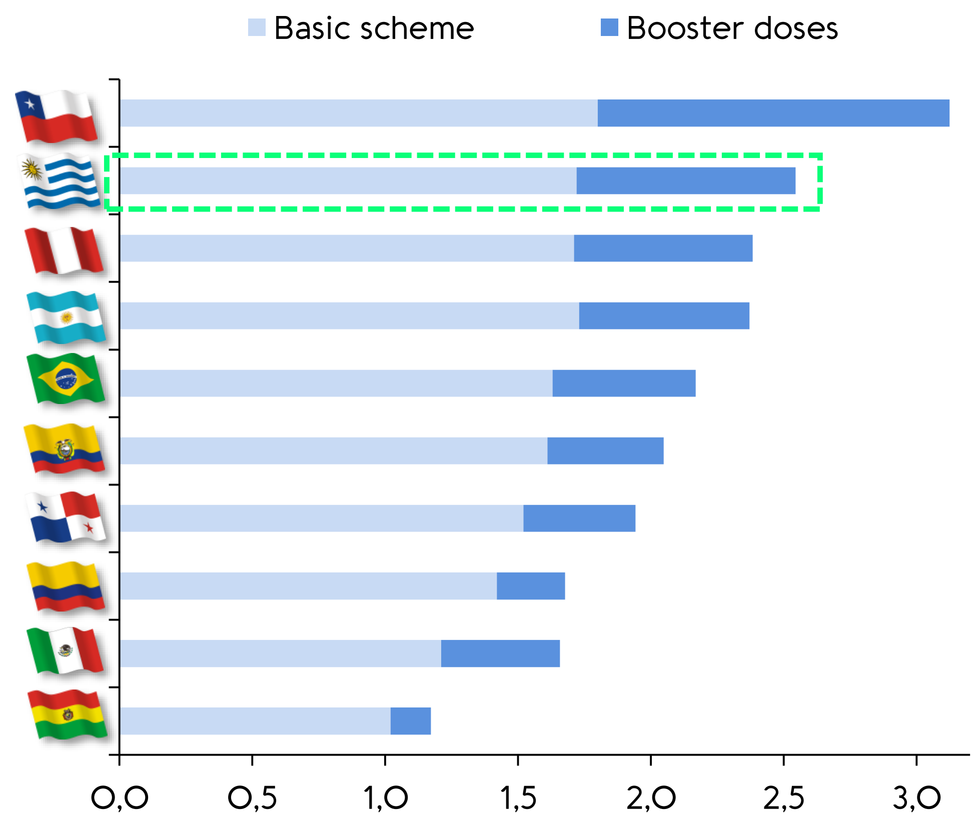
Covid-19 fatalities per million in LATAM [(1)]

(Cummulative, as of July 26th, 2022)



Covid-19 vaccines administered per person in LATAM[(1)]

(As of July 26th, 2022)



- Total purchase of 7,85 million vaccine doses (Sinovac, Pfizer and AstraZeneca), plus a donation of 500,000 Pfizer from the United States. In October 2021, the Government agreed with Pfizer-BioNTech to purchase 3.7 million additional doses for 2022.
- Starting in August, 2021, Uruguay began applying a third booster dose of the Pfizer vaccine, and in January 2022, children from 5 to 11 years old started being inoculated with Pfizer. Since February 2022, people have been able to receive a 4rd booster shot.

(1) Source: Our World in Data. In the case of Uruguay, it uses total population as estimated by the National Statistics Institute. Latest data available for each country.

2

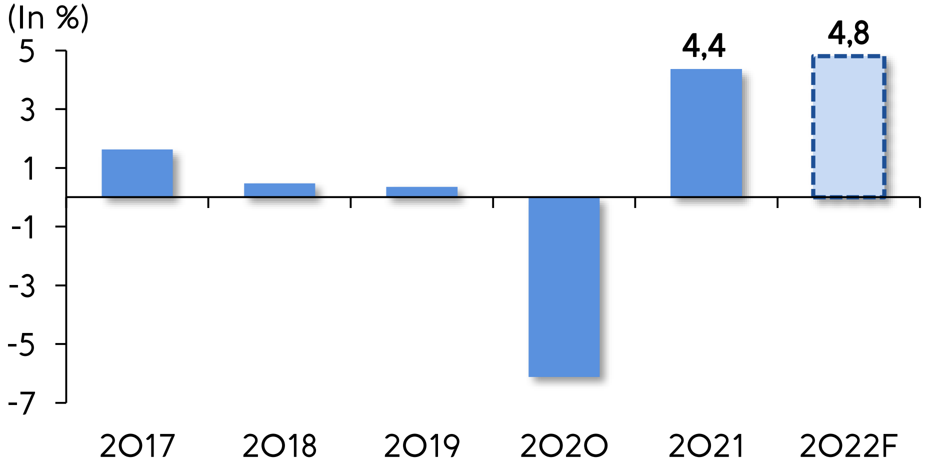
The economy is gaining momentum

Photo credit: Uruguay XXI.

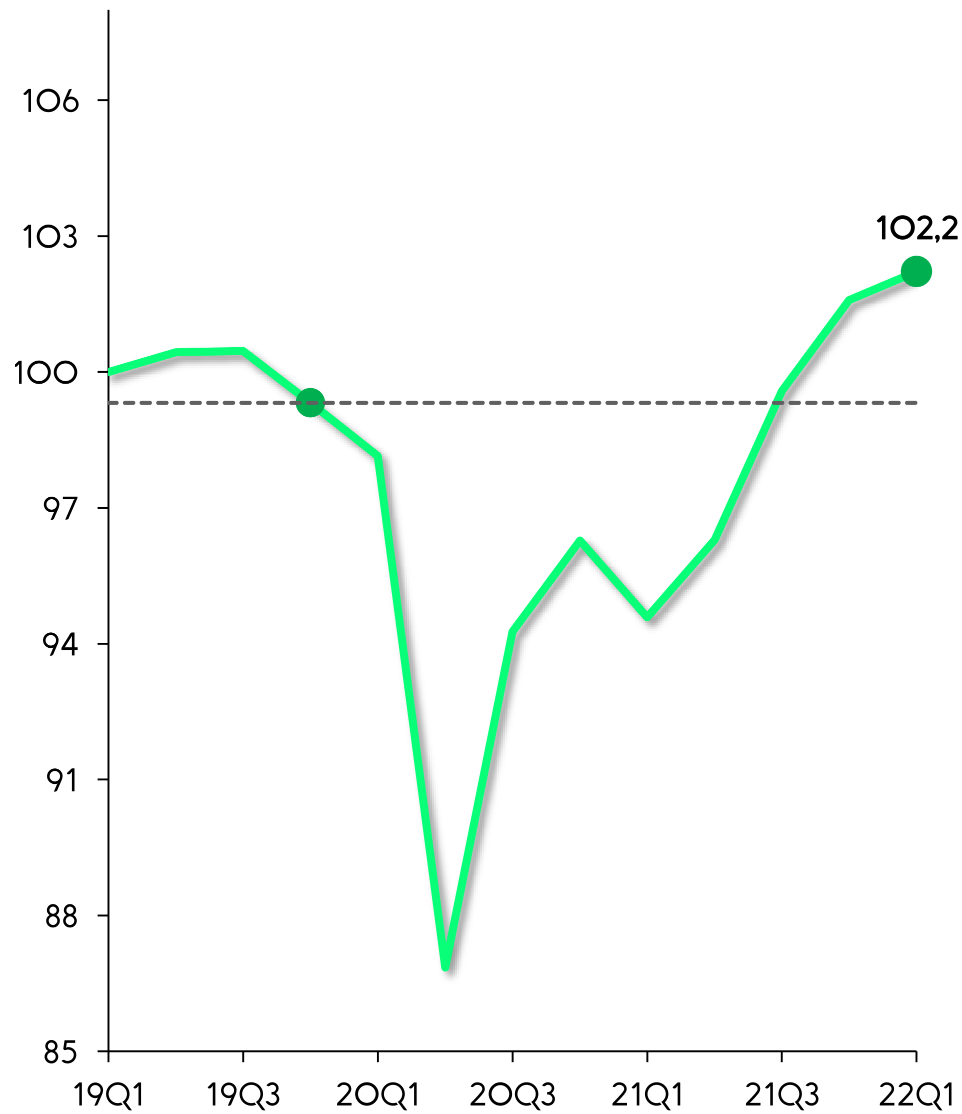
2 Economic activity continued expanding, leaving behind pre-pandemic levels; Government estimates 4.8% GDP growth in 2022

Quarterly real GDP YoY change
(In %)

Annual real GDP change
(In %)



Seasonally adjusted real GDP
(Index 2019Q1=100)

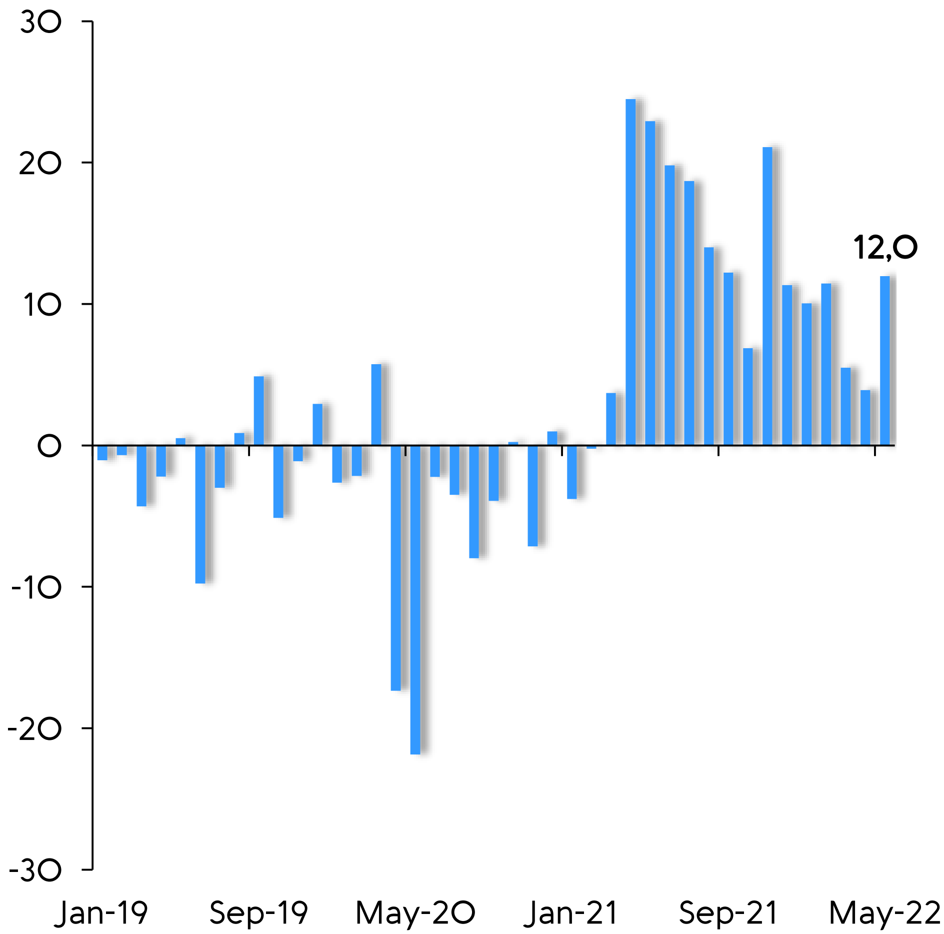


Source: Central Bank of Uruguay

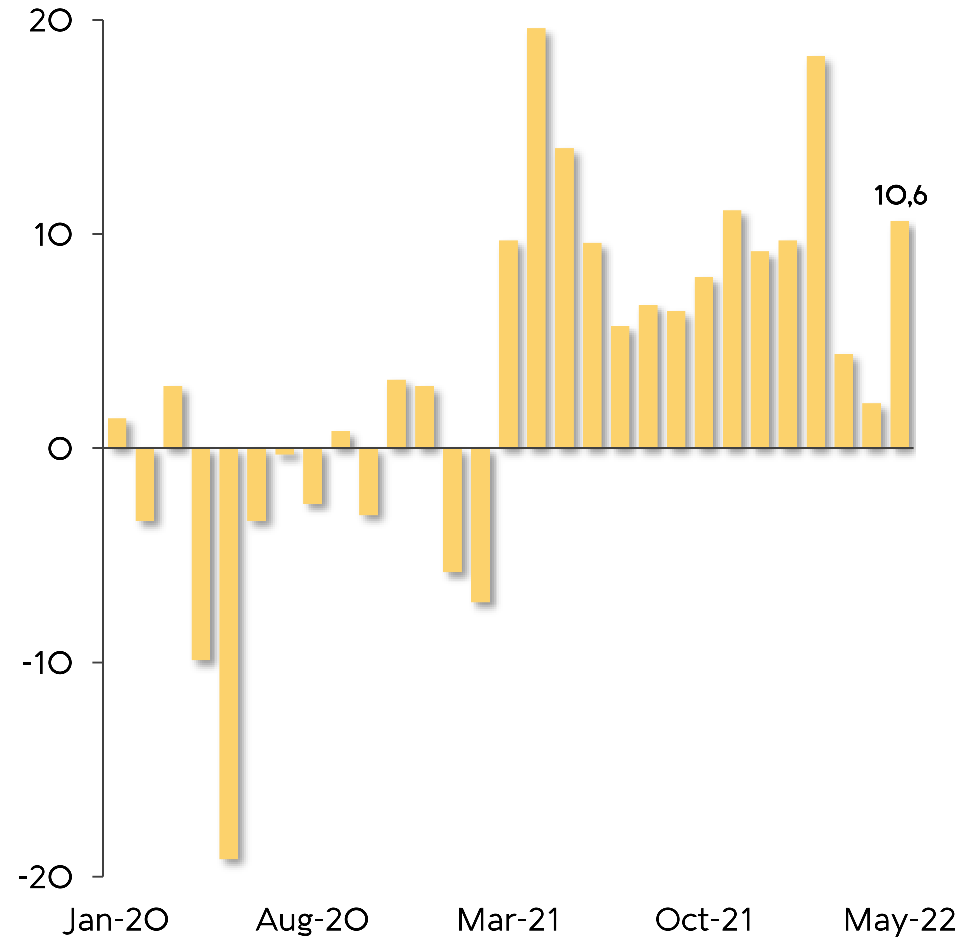
2

Leading economic indicators suggest that the economic recovery has continued into the first half of this year, with a projected real GDP growth of 4.8% for 2022

Manufacturing production (1)
(YoY real change, in %)



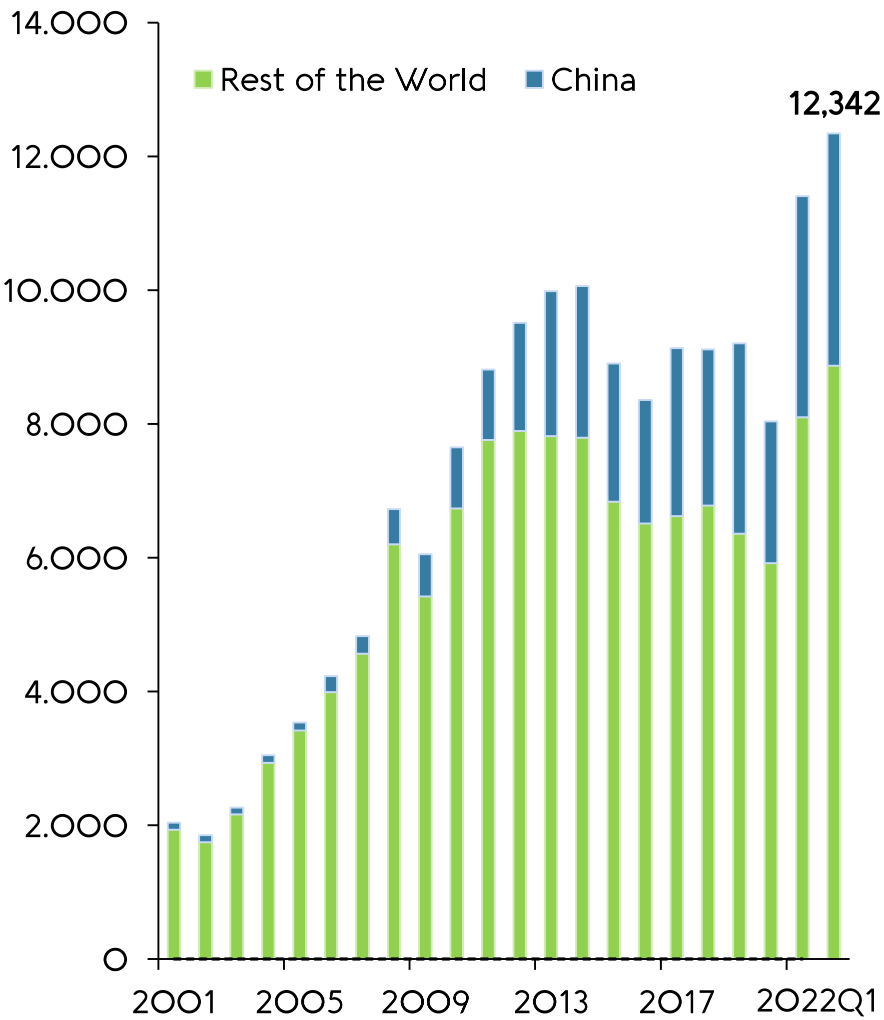
Tax revenue collection (2)
(YoY real change, in %)



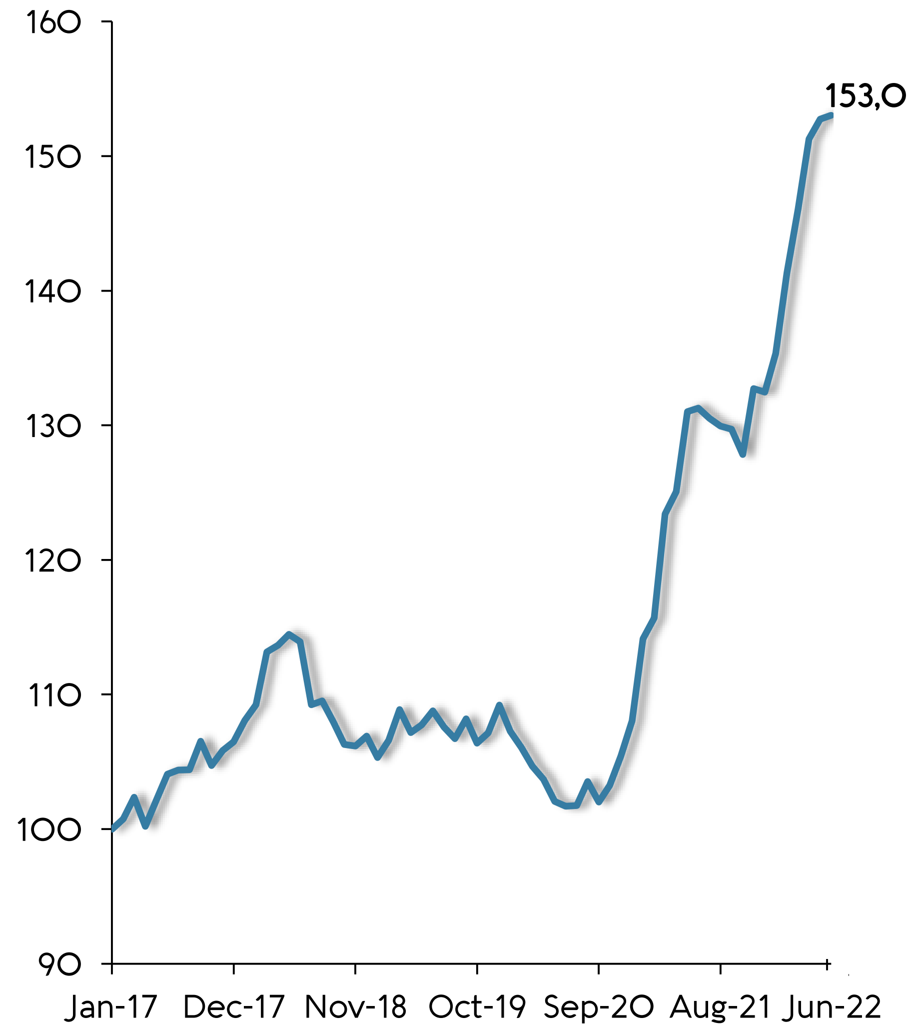
(1) Source: National Statistics Institute
(2) Source: Tax General Directorate, Ministry of Economy and Finance

Uruguay exports reached a record high in 2022Q1 on the back of higher commodity prices; the government seeks to expand trade flows and trade agreements beyond MERCOSUR

Export of goods (1)
(In millions of USD, annual)



Commodities exports prices (2)
(Index base 100 = January 2017)



(1) *Source: Uruguay XXI (figures include exports from the Free Trade Zones to the rest of the world).* (*) For 2022, data through March corresponds to last 12 months.
(2) *Source: CPA Ferrere, based on Bloomberg and National Institute of Meat of Uruguay (INAC). Weighted-average of soybeans, meat, rice, dairy products, and pulp exports*

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

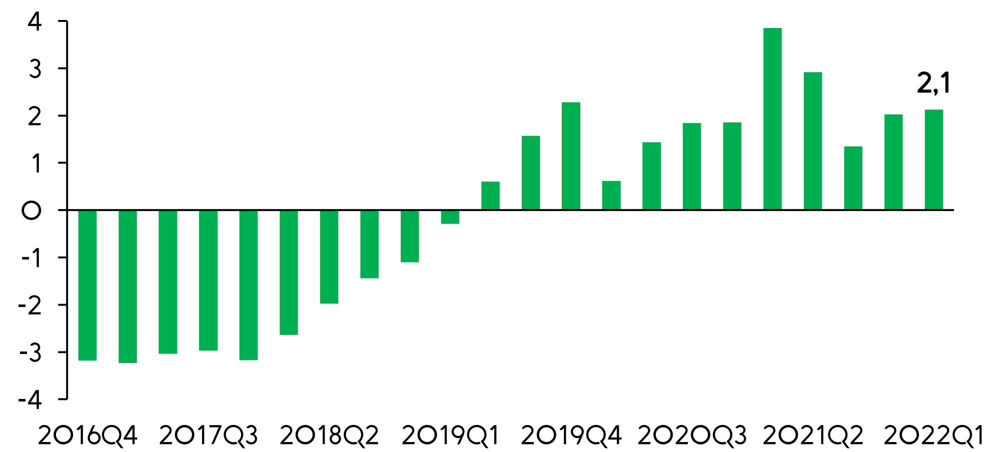
2

UPM's pulp mill and Central Railway project [1]

- 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.** 3,000 people currently working at the construction site.
- **US$ 1 billion investment in a Central Railway** running from Paso de los Toros city to the port of Montevideo (273 km long). Public-Private-Partnership (PPP) modality.

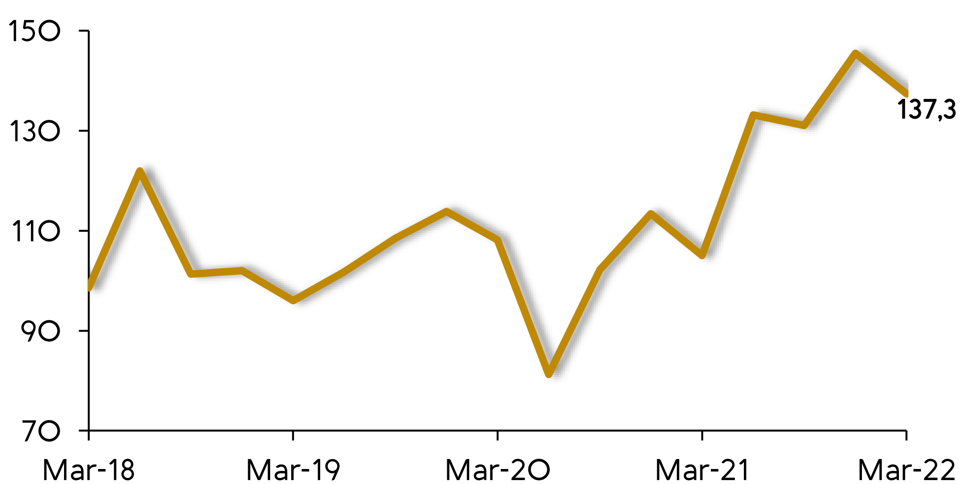
FDI net capital inflows [2]

(Rolling 4-quarters, in % of GDP)



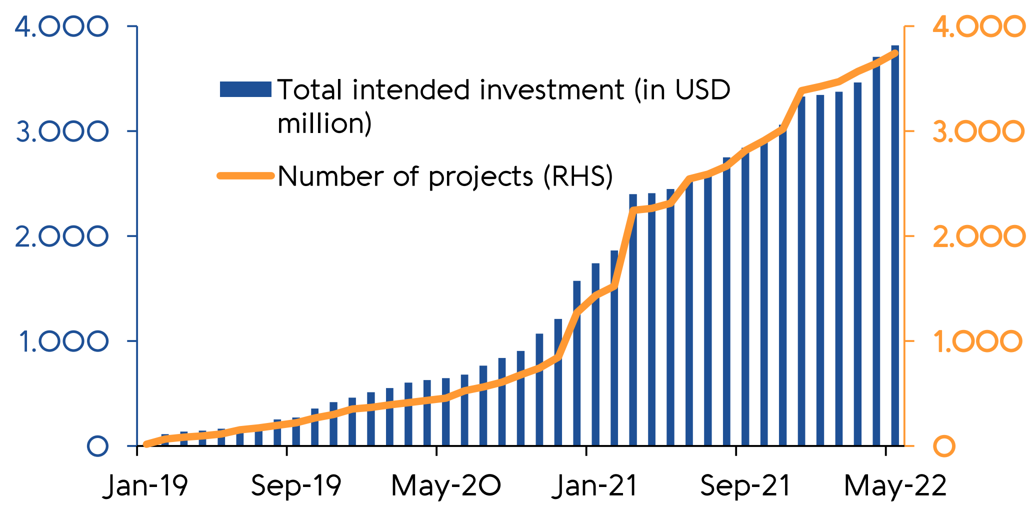
Investment in machinery and equipment [3]

(Real Index, base 100 = Jun-17)



Investment projects presented under COMAP regime [4]

(Cumulative since beginning of 2019)

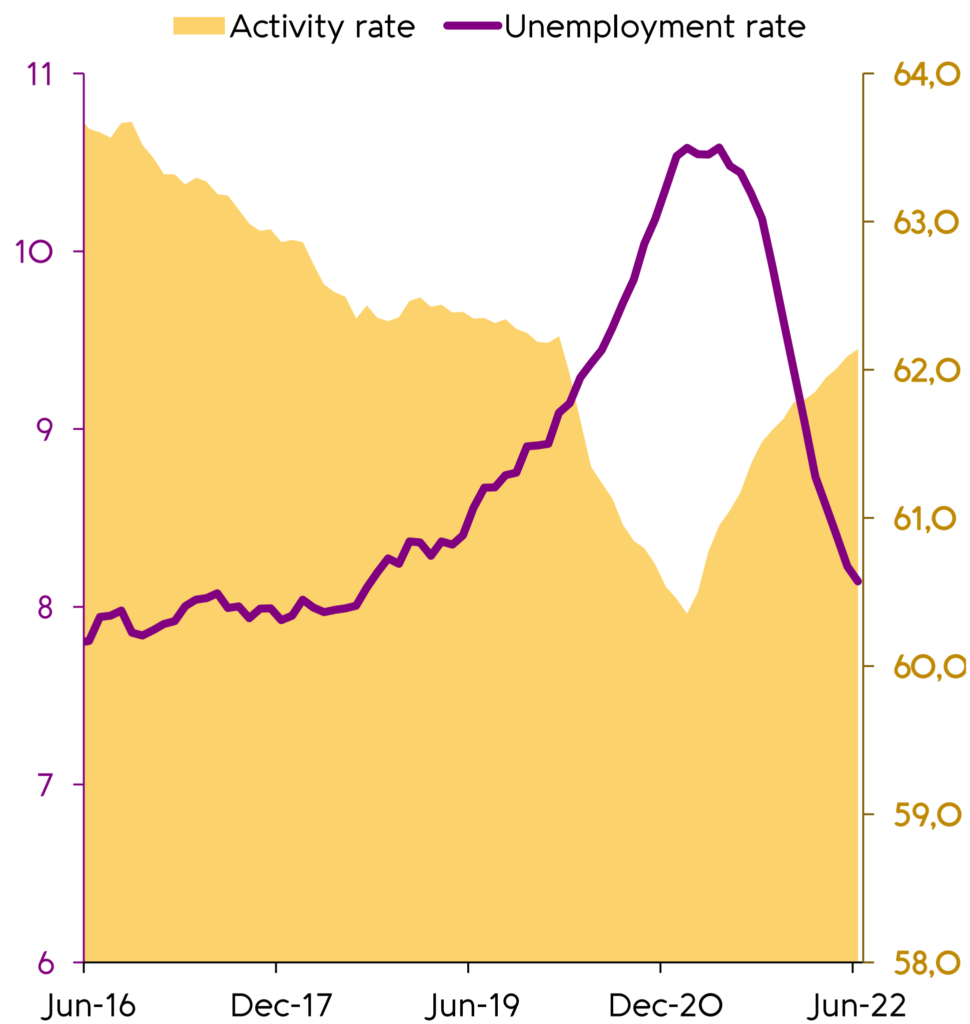


(1) Source: Ministry of Economy and Finance of Uruguay.
(2) Source: Central Bank of Uruguay. Figures of the Financial Account of the Balance of Payments were revised.
(3) Source: Chamber of Industries of Uruguay
(4) Source: Ministry of Economy and Finance of Uruguay

Labor market indicators show that the recovery process is still underway

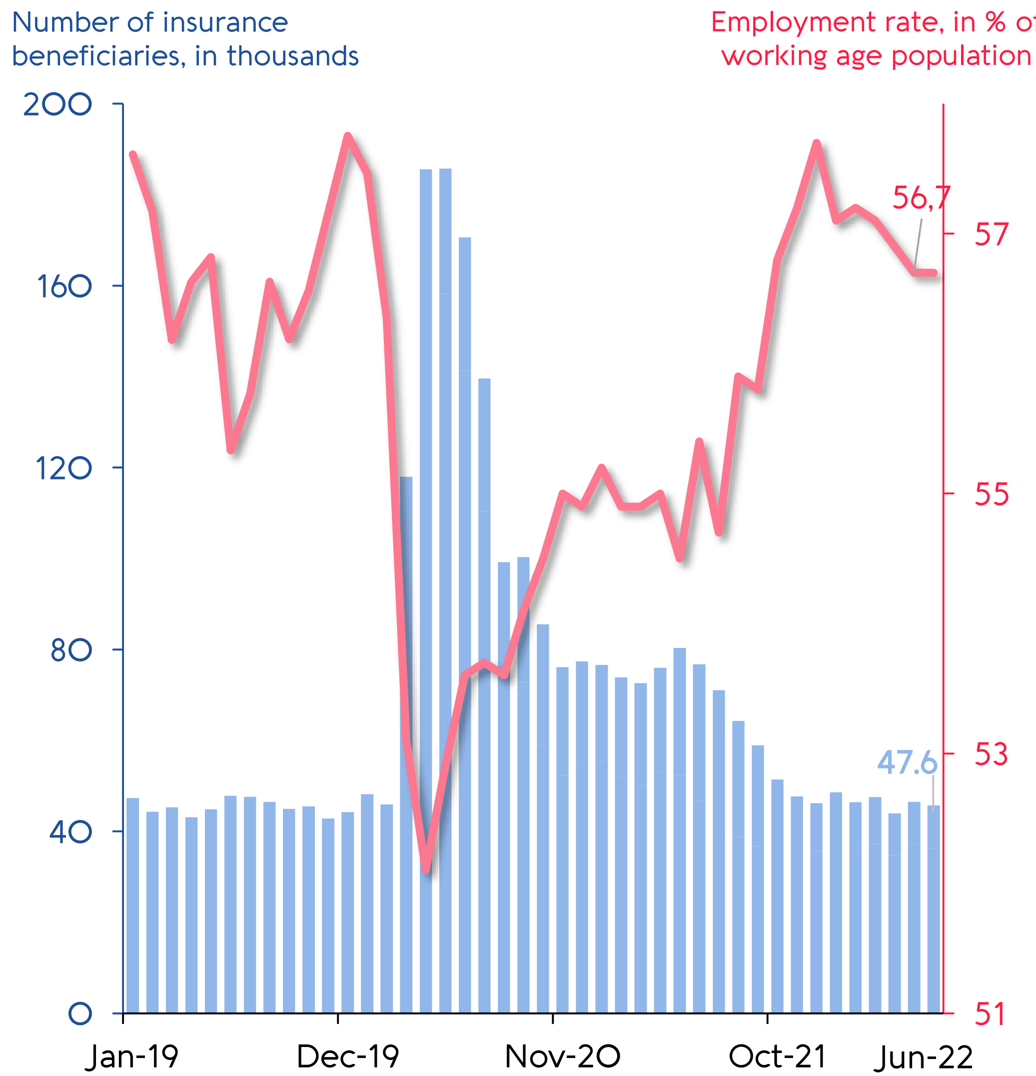
Activity and Unemployment rate(1)

(Average of last 12 months, in %)



Unemployment Insurance and employment rate (2)

(Monthly observations)



(1) Source: National Institute of Statistics

(2) Source: Social Security Bank of Uruguay, Ministry of Labor and Social Security and National Institute of Statistics.

Note: The traditional regime refers to the full unemployment insurance benefit according to Uruguayan law, whereas the partial regime implies that employees maintain the job relationship, working partial time.

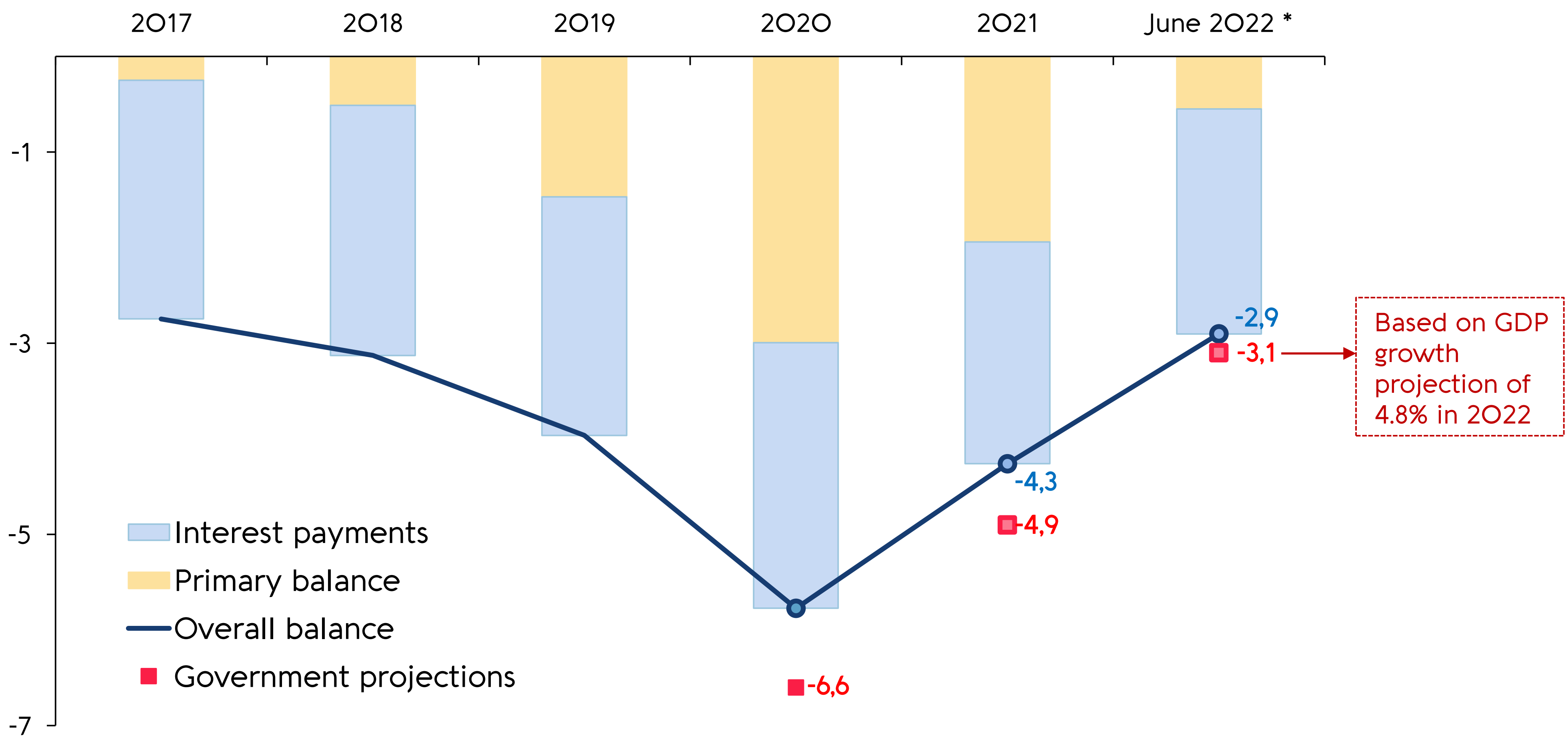
Pillars of the new fiscal rule are aligned

Cisnes en lago. *Photo credit: Leonardo Colistro.*

Strong commitment to fiscal discipline based on prudent macroeconomic management within the rules-based framework…

Central Government`s fiscal balance (1)

(In % of GDP)



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

(*) For 2022, data through May corresponds to last 12 months. The projection is for the whole year.

Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay

3

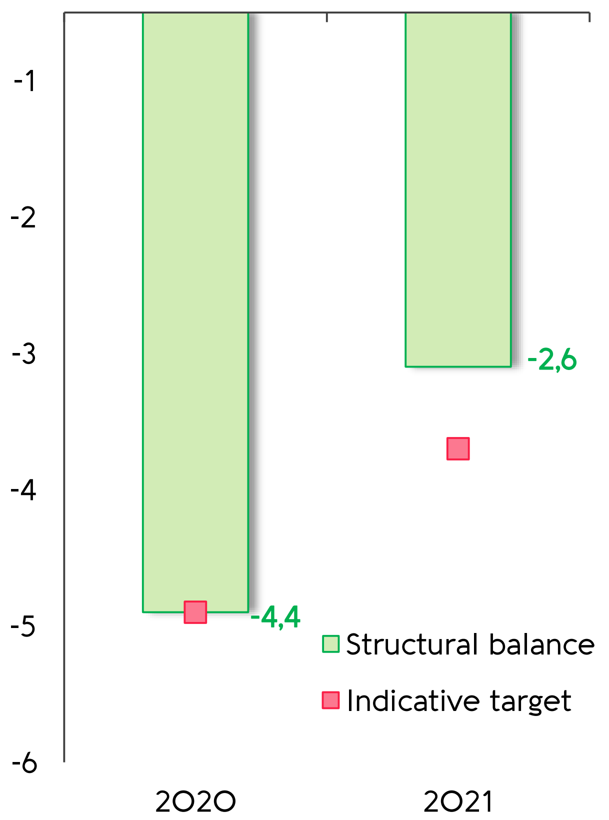
…meeting all three pillars of the new fiscal rule for the Central Government both in 2020 and 2021, restoring credibility.

Indicative target on structural fiscal balance, to account for business cycle fluctuations and one-off/temporary spending and revenue items.

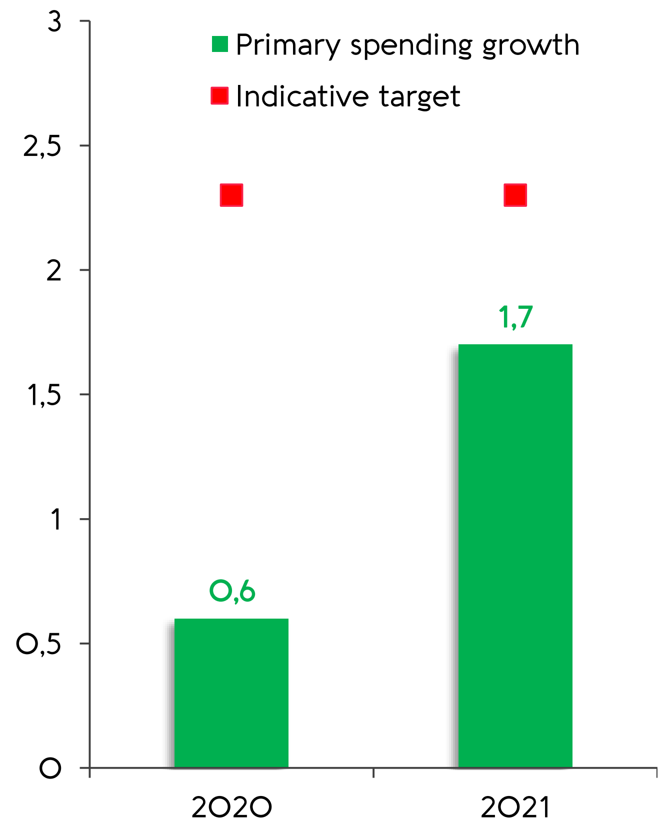
Indicative target cap on real growth in primary expenditure in line with estimated potential real GDP growth (1)

Legally binding maximum level of annual net indebtedness in dollar amount.

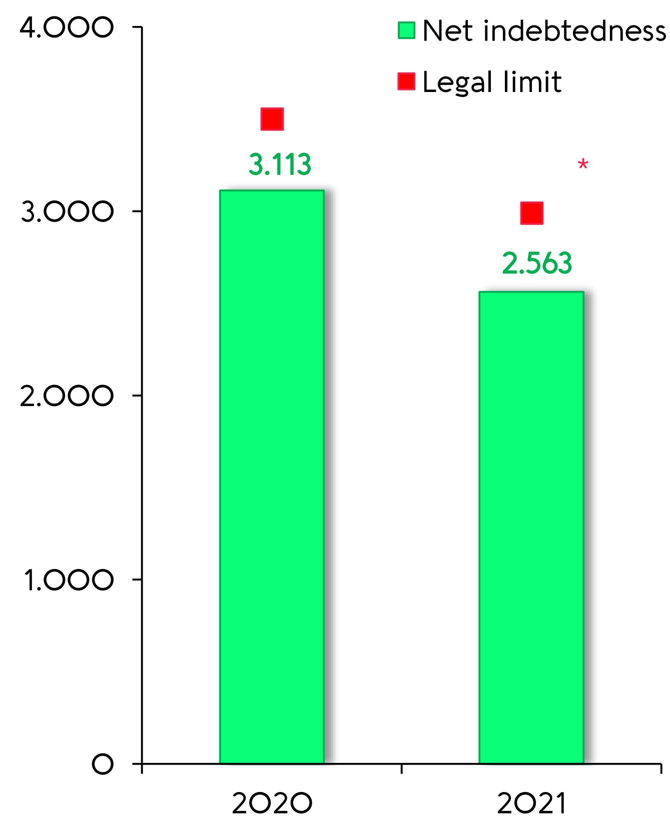
Structural balance
(In % of GDP)



Primary spending (1)
(Annual real variation, in %)



Net indebtedness
(USD mm)



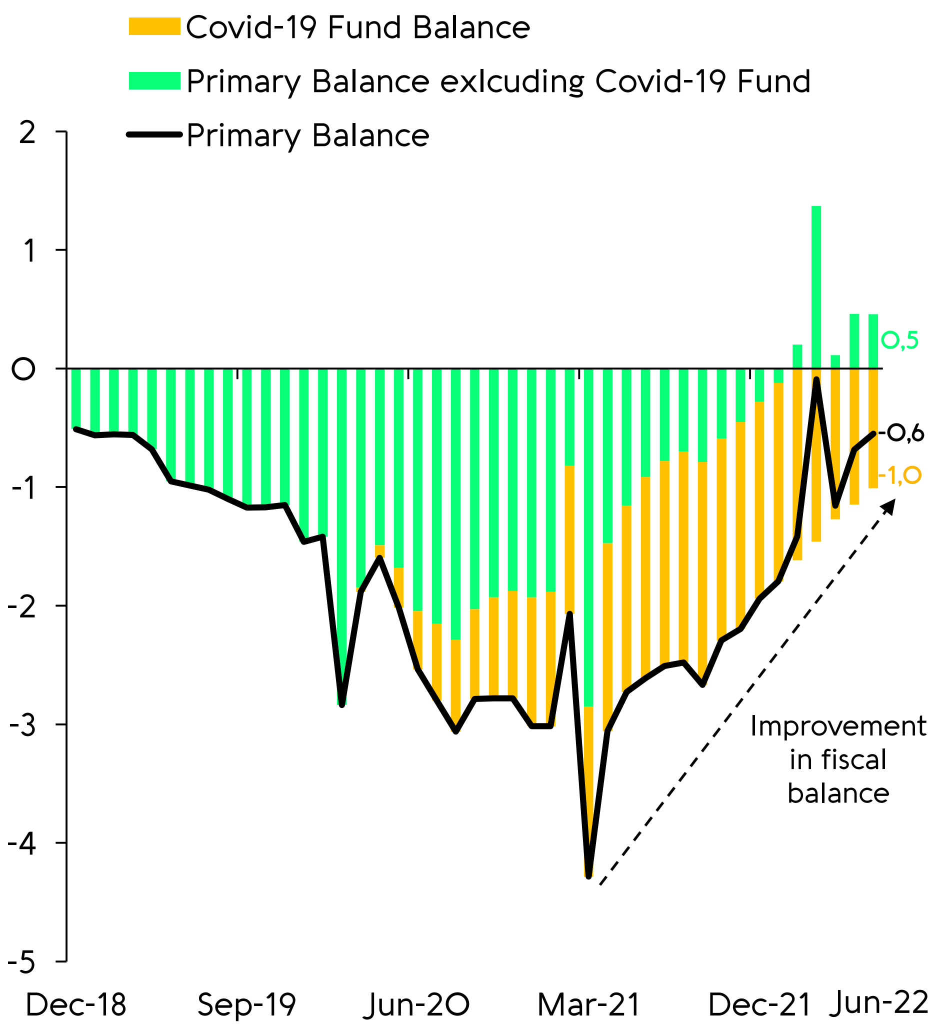
(*) Augmented limit after legal safeguard clause invoked during Covid-19 pandemic).

Source: Ministry of Economy and Finance of Uruguay.

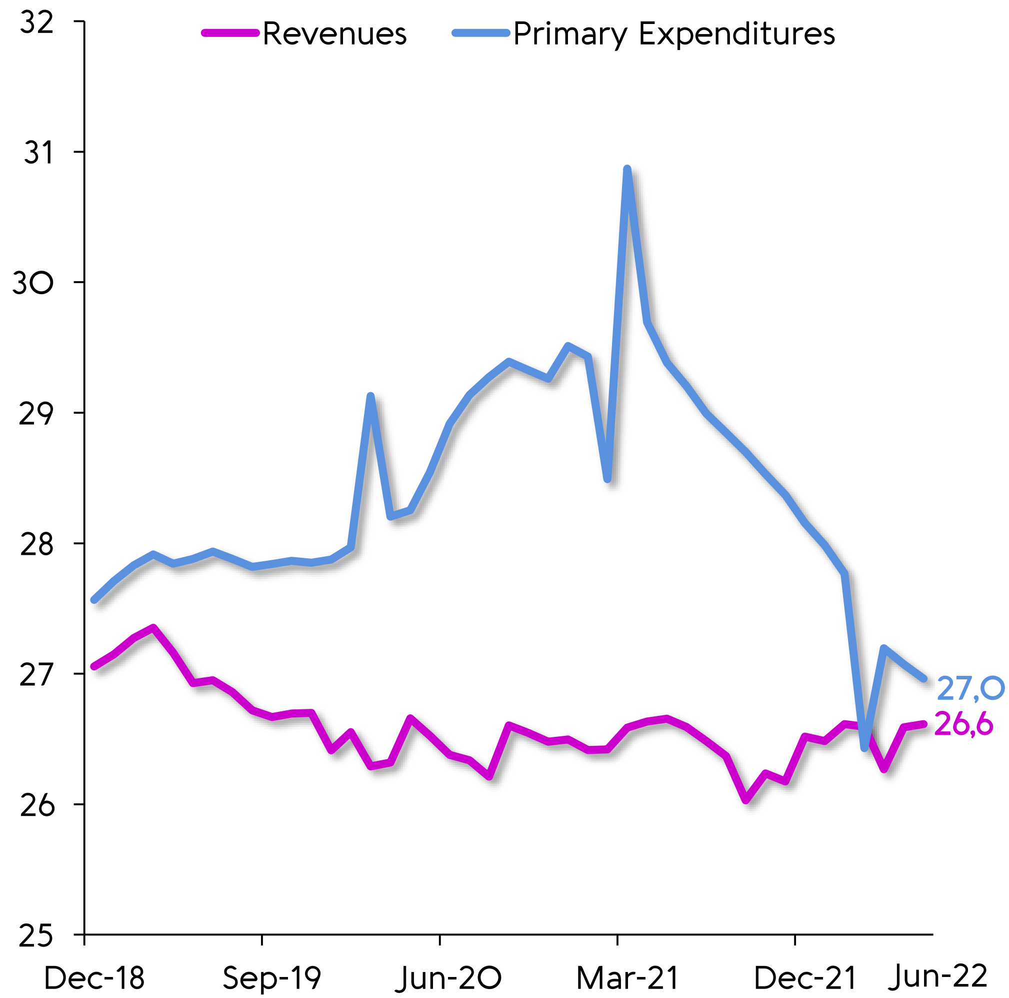
(1) Potental real GDP growth rate was revised as of February, 2022. For 2022, the indicative target for primary spending growth will be 2,1%.

3 Excluding Covid-19-related expenditures, primary fiscal balance has been consistently improving, driven mostly by spending restraint and without increasing in tax rates.

Central Government`s primary balance [1]
(Last 12 months, in % of GDP)



Central Government`s revenues and primary expenditures [1]
(Last 12 months, in % of GDP)



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

Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay

3

New Fiscal Framework

Establishment of the Fiscal Advisory Council	On September 29, 2021, **the Fiscal Advisory Council (FAC)** was established. The FAC is a technical, honorary and independent body composed of three members. It is tasked with assessing the overall implementation of the fiscal rule.
Creation of the Expert Committee	**The Expert Committee (EC) was created** on December 29, 2021. The EC has eleven members representing Universities, consulting firms and think tanks. Will provide technical parameters to the Ministry of Economy and Finance used for the calculations and projections of the structural fiscal balance.
Validation of Structural Balance	On July 7, 2022, the FAC concluded that the **calculation of the structural fiscal balance presented in the 2021 Budget Review was in accordance with the official methodology.** [Link to latest report (in Spanish)]

Implementation of the new fiscal institutional framework marks the first time that the Ministry of Economy and Finance has clear, well-defined metrics and indicative targets to assess its fiscal policy and promote accountability. Furthermore, estimates for unobservable values (structural fiscal balance) have the methodological validation of the independent Fiscal Advisory Council.

Source: Ministry of Economy and Finance.

4 Enhancing the monetary policy framework and anchoring inflation expectations

Viudita Blanca Común (xolmis irupero). Photo credit: Leonardo Colistro

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

1 **Commitment to Lower Inflation**	▪ Key focus is to lower inflation and anchor inflation expectations within the target band in a sustainable way.
2 **Short-term Interest Rate as new Policy Instrument**	▪ New monetary policy instrument 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 had been in an expansionary mode. ▪ As the pandemic has eased, the Central Bank has shifted towards a more contractionary monetary policy stance, increasing the reference rate by an cumulative 525 bps since August 2021, to the current **9.75%**.

5 **Financial De-Dollarization**	▪ Rebuilding markets in local currency to mitigate financial dollarization and developing FX derivatives markets.
	  ▪ Adjustments to the level and differentiation of the rates levied on interest generated by bank deposits and market securities
	  ▪ Encouragement to the participation of public enterprises in the FX derivatives markets.

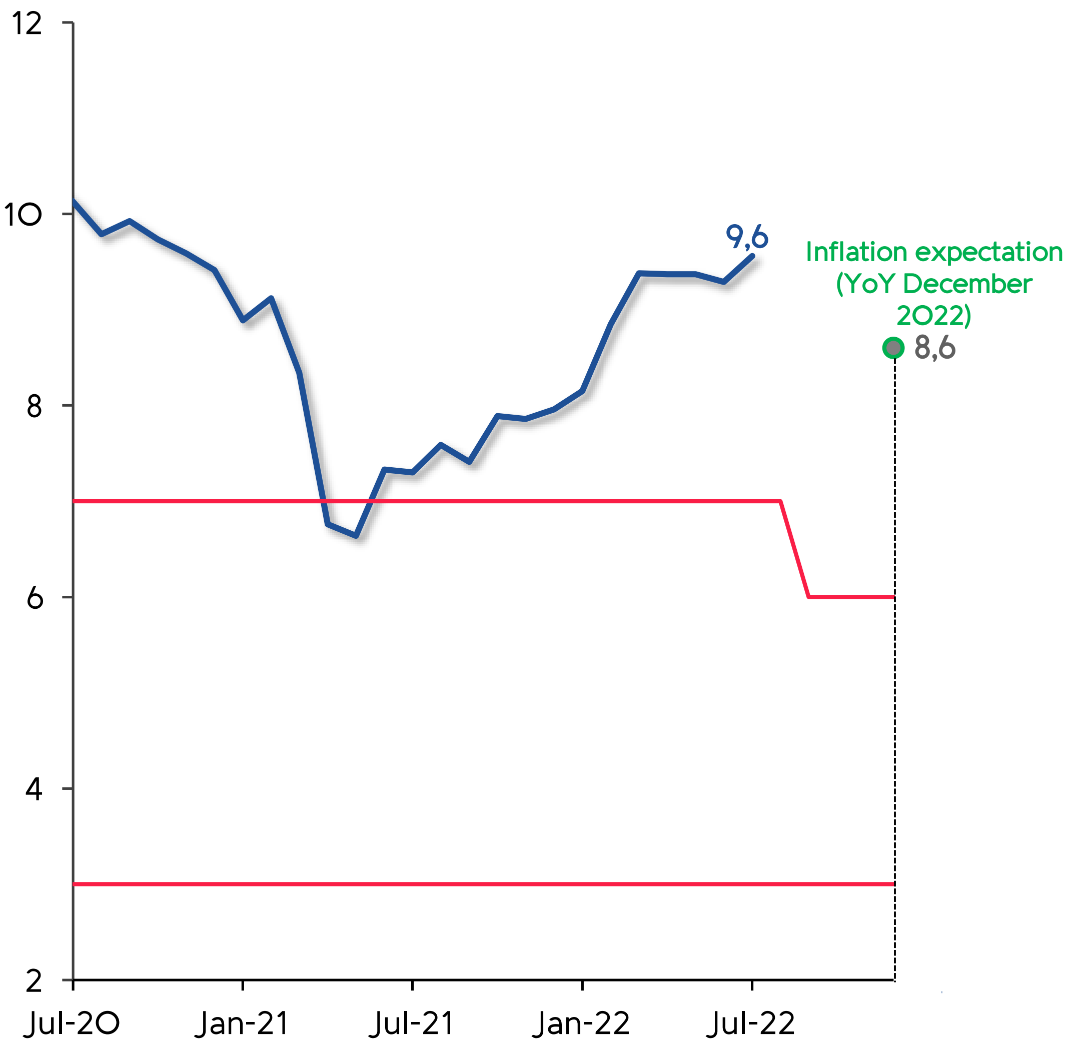
Source: Central Bank of Uruguay.

4

Inflation has been showing an uneven behaviour, still remaining above the inflation target

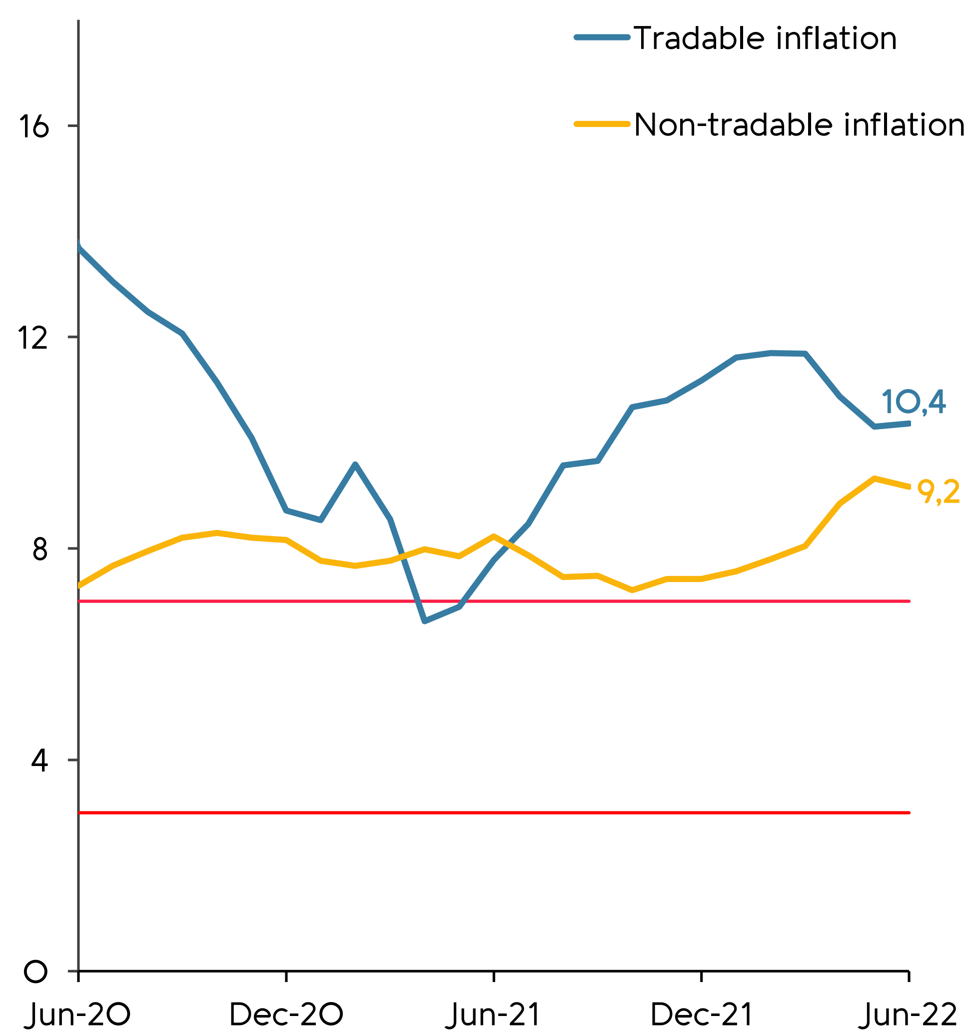
Headline inflation (1)

(YoY, in %)



Tradable and non-tradable inflation (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 2022.

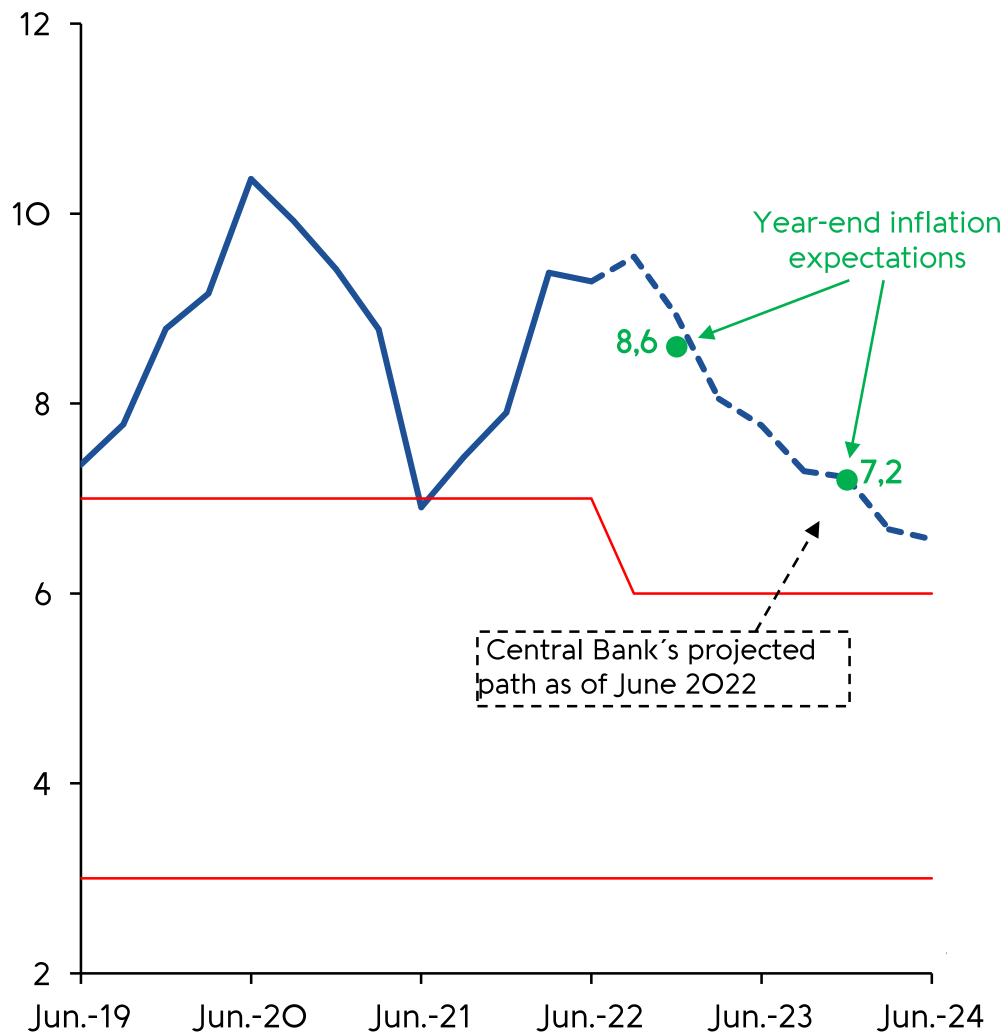
(2) Source: Central Bank of Uruguay. Tradable inflation excludes fruits and vegetables, while Non-Tradable inflation excludes administered prices (such as utility bills and cigarettes).

4

Monetary policy has shifted to a more contractionary stance, and using the short term interest rate as policy instrument has lowered volatility in the interbank interest rate

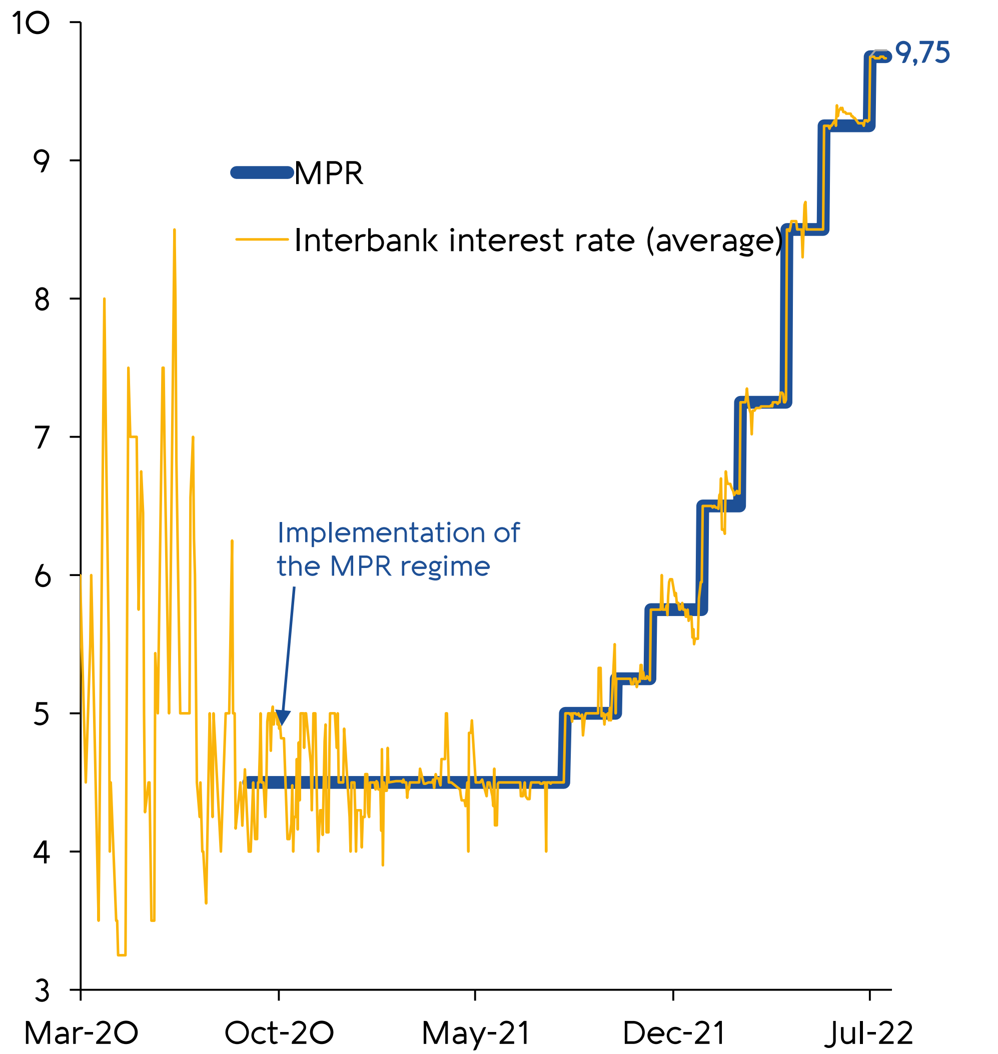
Central Bank´s projected inflation path and inflation expectations (1)

(YoY, in %)



Interbank interest rate and Monetary Policy Rate (MPR) (2)

(In %)



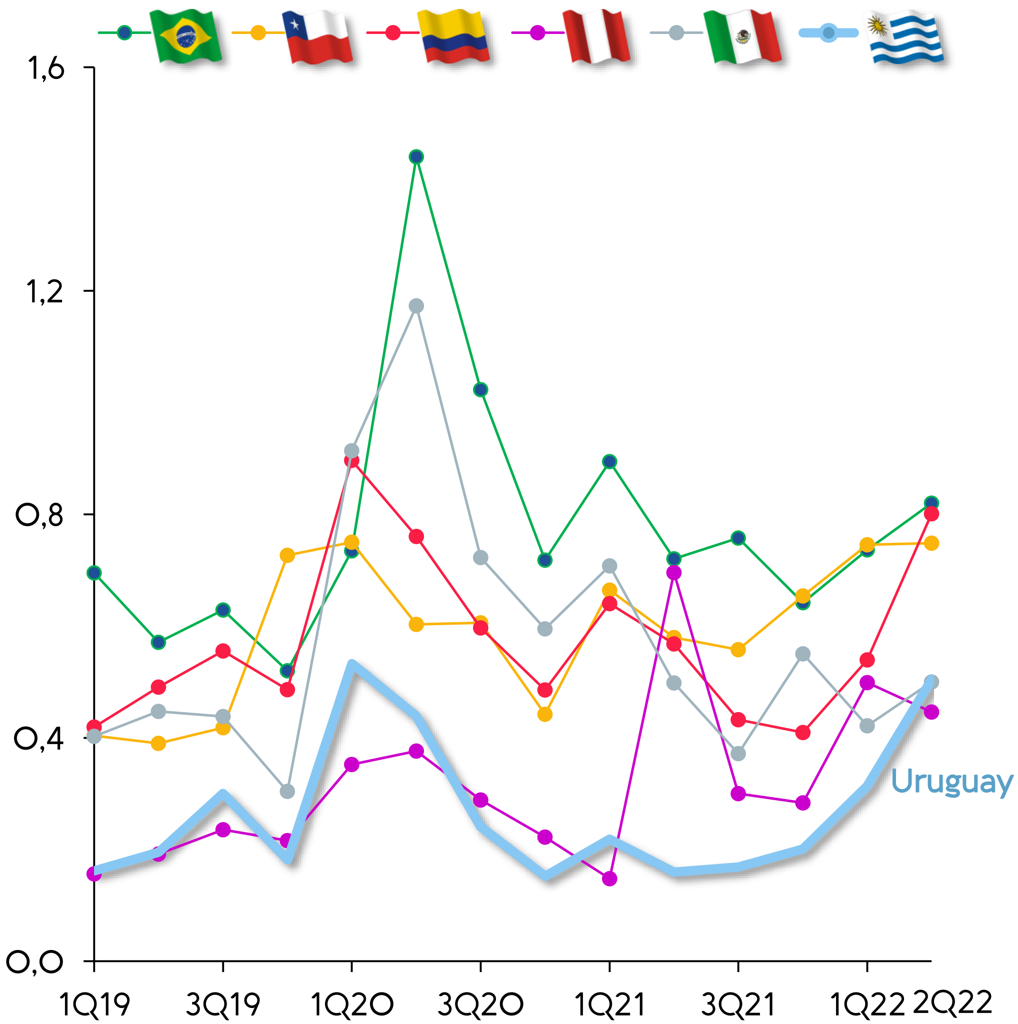
(1) Source: Central Bank of Uruguay; Quarterly forecasts of the baseline scenario of the Central Bank as of December 2021. Median inflation expectations based on Central Bank´s market survey as of May 2022.

(2) Source: Central Bank of Uruguay. Before September 2020, the monetary policy instrument targeted growth in M1´monetary aggregate.

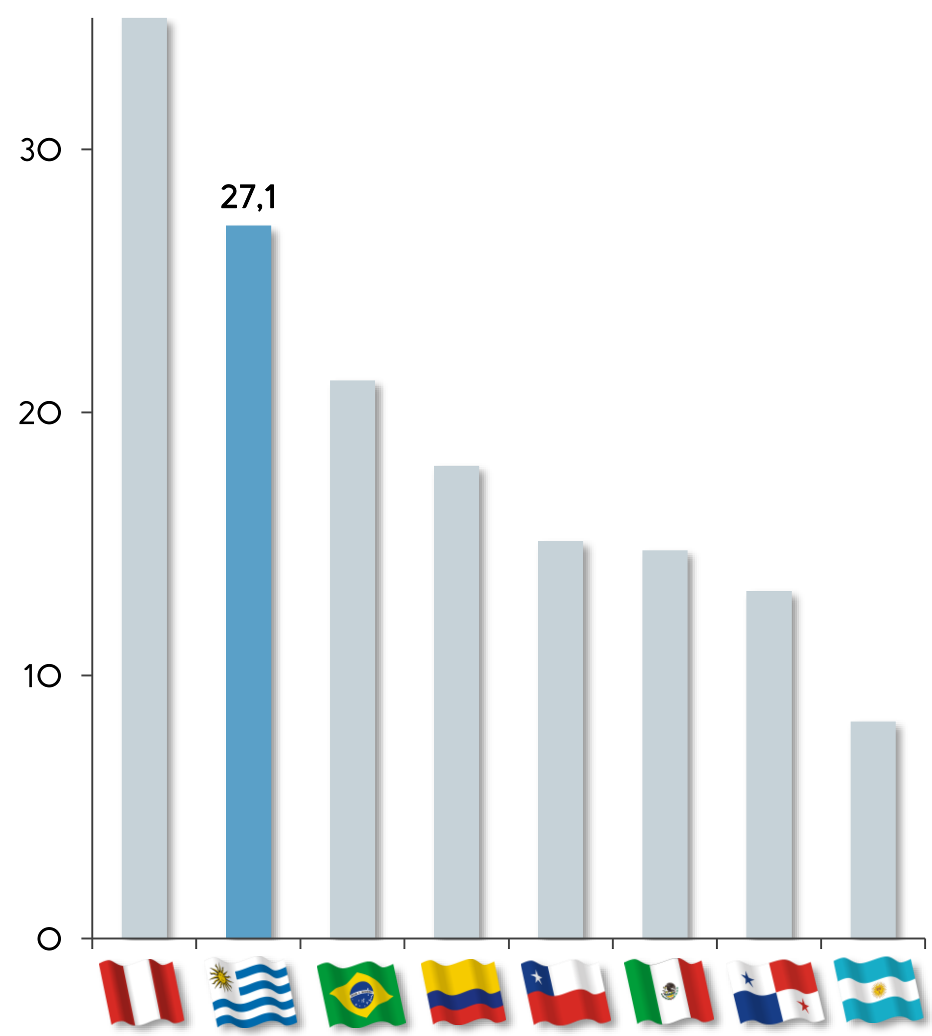
4

The nominal exchange rate has shown relative stability over the last year, including during risk-off episodes; large international reserve buffers are a significant external backstop

Nominal exchange volatility in LatAm (1)
(Quarterly average of absolute value of daily percent changes)



International reserves in Latam (2)
(In % of GDP)*

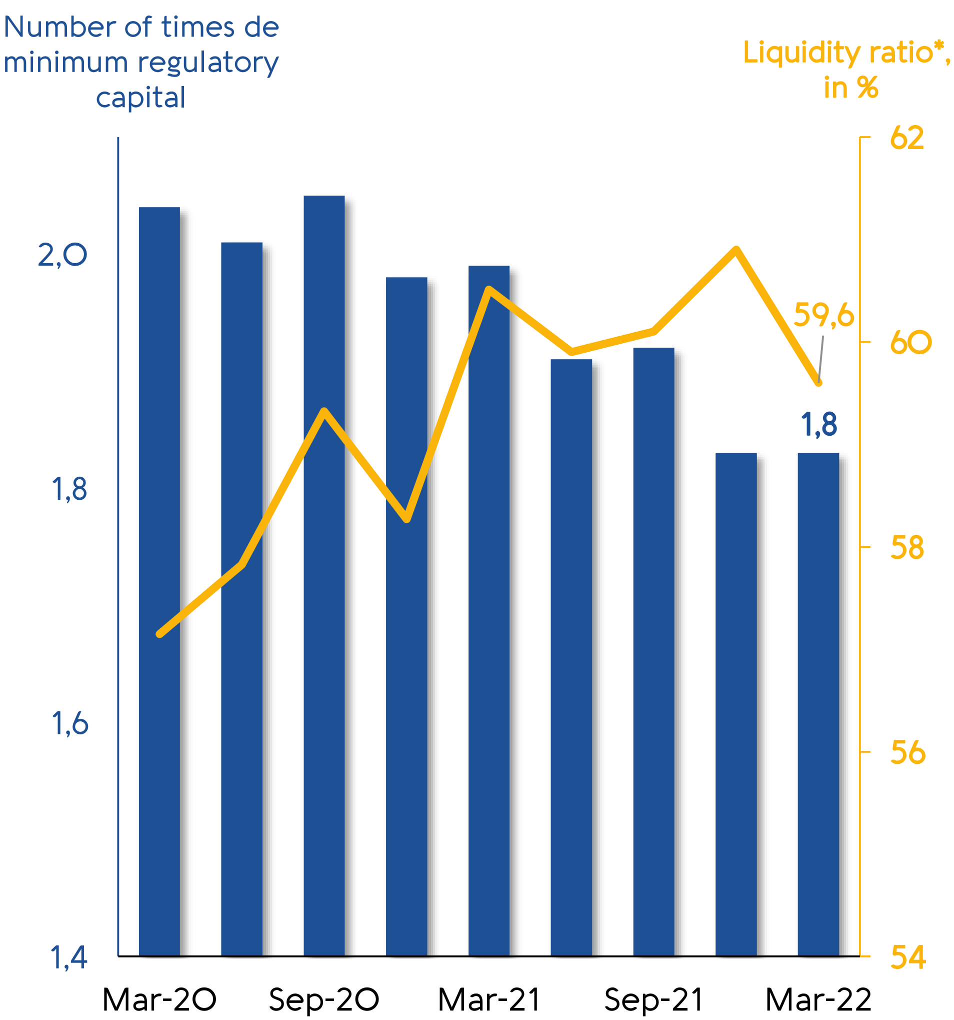


(1) *Source: ECLAC, based on Bloomberg.*
(2) *Source: Official National Statistics of each country.*

(*) As of end-March 2022, except for Panama which is as of end-December 2021

4 Banking sector remains profitable and well-capitalized with high liquidity levels, with low exposure to the region

Solvency and liquidity of the banking system



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

Banking system´s exposure to non-residents

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

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

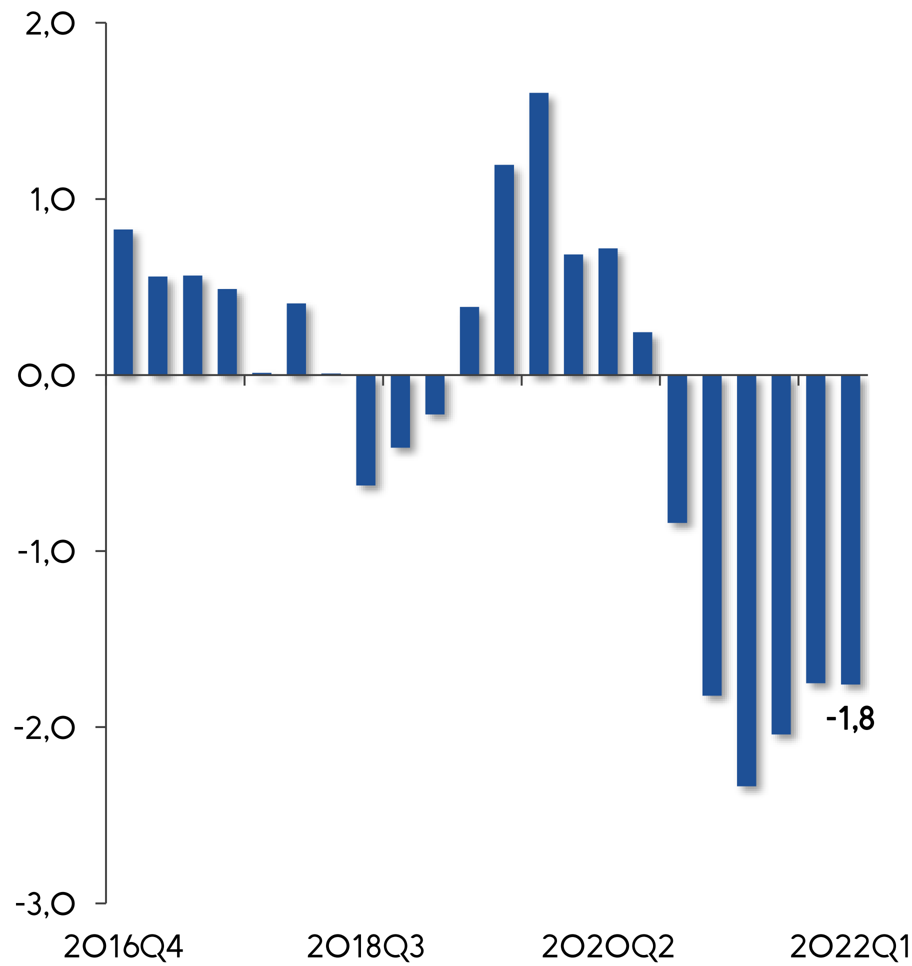
(*) As of May 2022.

Source: Central Bank of Uruguay.

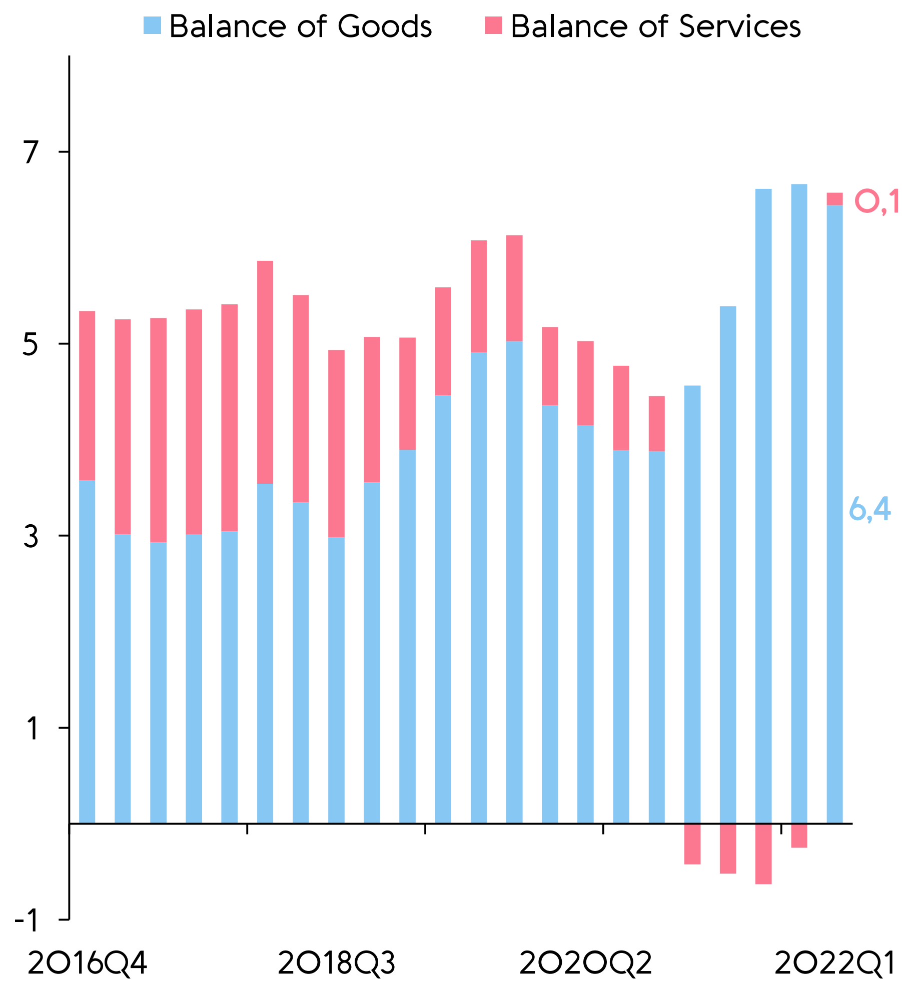
5

Moderate current account deficit on the back of a resilient balance of goods and services during the pandemic

Current account balance
(Rolling 4-quarters, in % of GDP)



Goods and services balances
(Rolling 4-quarters, in % of GDP)



Source: Central Bank of Uruguay.

6 Government forges ahead with structural and market-friendly reforms: "keeping the high-beam headlights on"

Urgent Consideration (*UC*) Law[1/] ✔	2020-2024 Budget Law ✔	2020 Budget Review ✔	2021 Budget Review
Approved on July 9th, 2020	Approved on December 18th, 2020	Approved on November 3rd, 2021	Submitted to Congress on June 30, 2022
▪ Changes in the tax code for small businesses. ▪ 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. ▪ Draft of new fiscal framework.	▪ New governance for public enterprises: performance targets and accountability. ▪ Environmental and ESG-focused policies (Helsinski Principles). ▪ Implementation of new fiscal institutionality.	▪ Fullfillment of the three pillars of the Fiscal Rule in 2020 ▪ Implementation of two social programs that address child poverty, from 0 to 3 years-old, and housing for lower income families.	▪ Fullfillment of the three pillars of the Fiscal Rule in 2021 ▪ Proposes additional expenses for three specific areas: education, I+D and citizen security. ▪ Provides for further public policies to foster the long-term growth of the

1/ On March 27th, 2022, a public referendum was held on whether to repeal, or uphold, 135 articles of the Urgent Consideration Law voted in 2020. The majority of the population (51,3%) voted in favour of upholding them.

Source: Ministry of Economy and Finance of Uruguay.

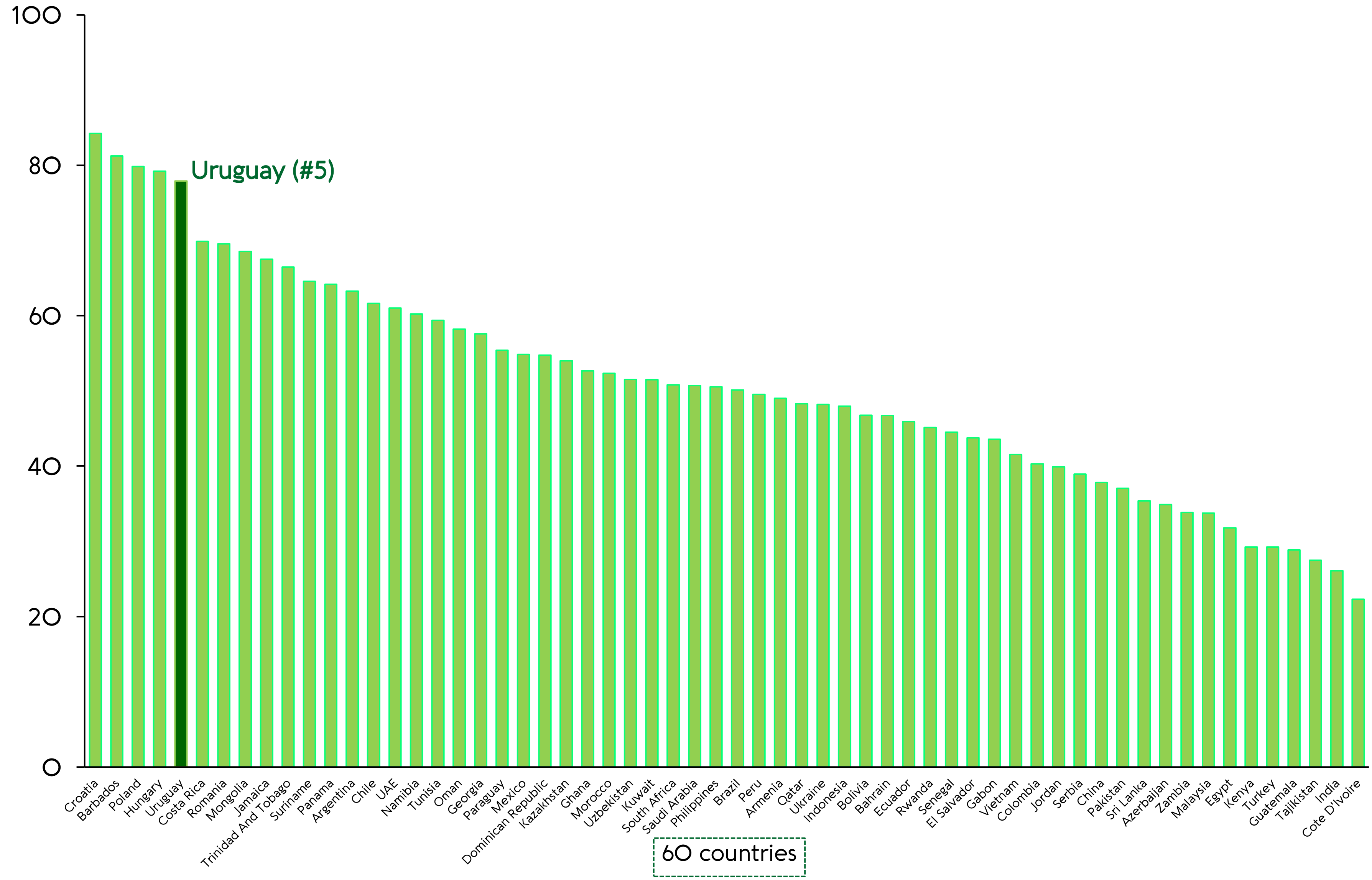
7

Strong ESG foundations

Photo credit: Uruguay XXI

7 ESG Uruguay is among the top global performers on **ESG** fundamentals

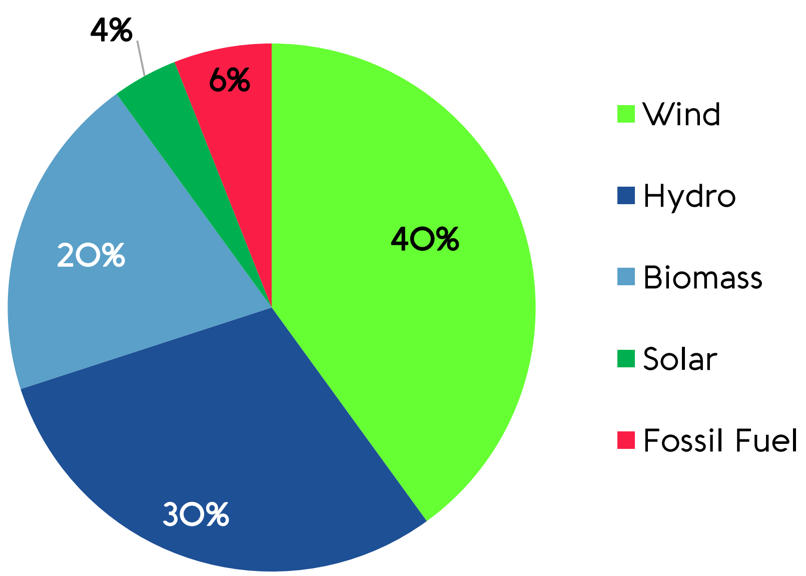
Emerging markets' ESG Score
(Index, 100 = best performance; as of end-July, 2022)



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."

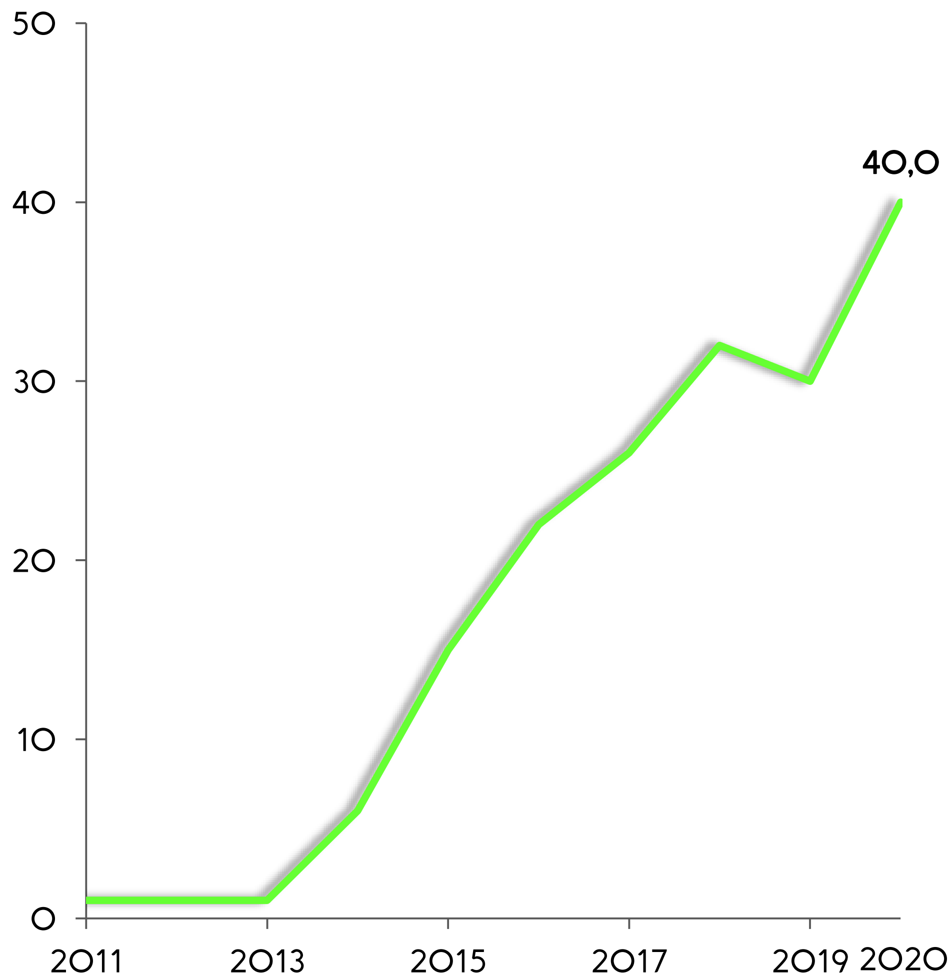
Uruguay´s electricity matrix is mostly based on renewable resources, partly as a result of a steady growth in wind energy in the last decade.

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)

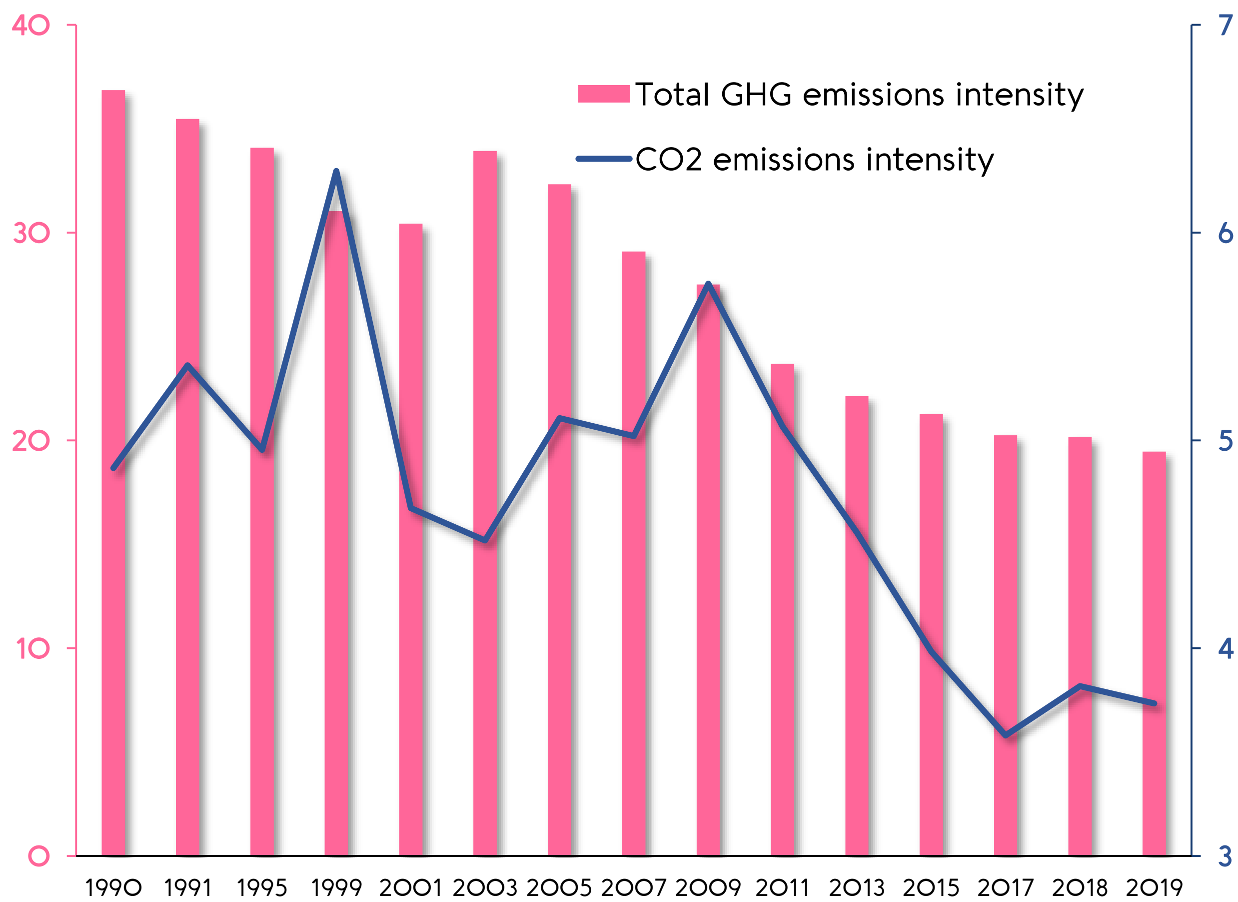
Electricity generation from wind energy (1)
(% of total)



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

The country is at the forefront of environmentally-friendly policies, with a significant reduction in the carbon intensity of economic activity

Uruguay: Carbon intensity as a share of GDP (1)
(Green House Gas emissions as a share of real GDP, in %)



Among emerging and developing countries, Uruguay is ranked:

- **#1 in the Environmental Pillar Index** from **MSCI** (2021)
- **#2 in the Energy Transition Index** from the **World Economic Forum** (2021)

(1) Source: National Inventory of Green House Gas Emissions and Ministry of Economy and Finance.

7 ESG

The Government is committed to climate action policies

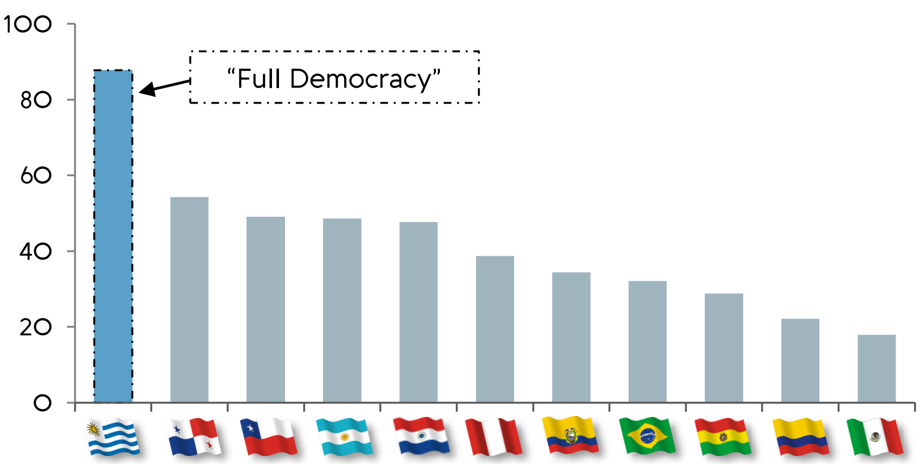
The goal is to make economic growth consistent with a pathway towards low greenhouse gas emissions and a climate-resilient economy, through macroeconomic, fiscal and financing policies.

- **July 2020**: Creation of the Ministry of Environment
- **October 2020**: The Government joined the Coalition of Finance Ministers for Climate Action
- **November 2020**: The Central Bank joined the Network for Greening the Financial System
- **December 2020**: The 2020-2024 Government Budget Law, explicitly incorporated the Helsinski Principles
- **April 2021**: The Ministry of Industry and Energy and the Ministry of Finance launched the national road-map for green hydrogen production
- **September 2021**: Central Bank announced a diversification strategy of the international reserves portfolio towards a green bonds´ investment fund
- **October 2021**: A tax on CO_2 emissions from the use of gasoline was approved by Congress
- **November 2021**: Uruguay takes over as Chair of the Development Committee of the World Bank and IMF; as part of the proposed agenda, the country will advocate for cheaper multilateral loans for countries that implement strong environmental policies
- **December 2021**: The Government launched its Long Term Strategy on Climate Change, with an aspirational goal of net-zero Co_2 by 2050
- **December 2021**: Launch of the "Sustainable Finance Roundtable": BCU & MEF agreed on a commitment to carry out a Sustainable Finance agenda
- **Second half of 2022**: Design of a Sustainability-Linked Bond

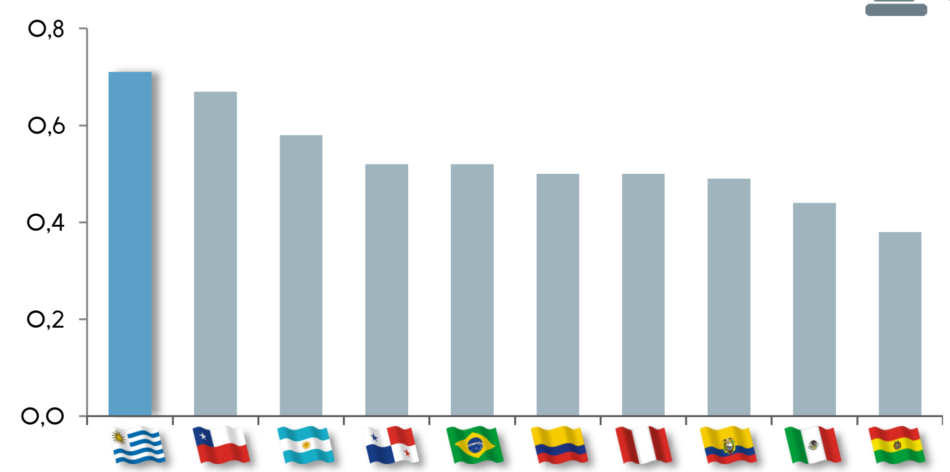
7 ESG

Uruguay is a bastion of institutional, political and social stability in LatAm, ranking alongside most developed nations

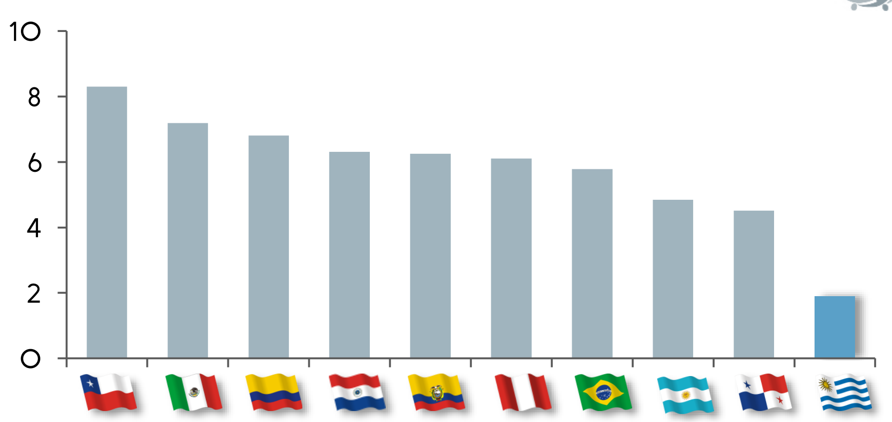
Political Stability and Democracy [1]
(Percentile rank, year 2021)



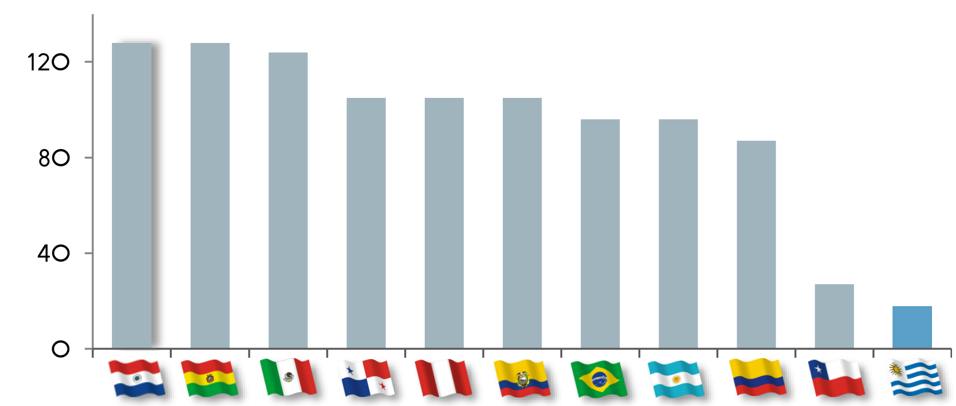
Adherence to the Rule of Law [2]
(Numerical score out of 1, year 2021)



Civil Unrest [3]
(Index out of 10, first quarter of 2020)



Corruption Perception [4]
(Rank, year 2021)



(1) *Source: Worldwide Governance Indicators, World Bank (2021) and The Economist Intelligence Unit (2022).*
(2) *Source: World Justice Project (2021).*
(3) *Source: Verisk Maplecroft ((2020).*
(4) *Source: Transparency International (2022).*

7 ESG

Uruguay placed first in the Capacity to Combat Corruption Index for the second year in a row among Latin America & Caribbean countries

Overall Ranking

1	Uruguay	7.80
2	Chile	6.51
3	Costa Rica	6.45
4	Peru	5.66
5	Argentina	5.16
6	Brazil	5.07
7	Colombia	4.81
8	Ecuador	4.77
9	Panama	4.55
10	Dominican Republic	4.38
11	Mexico	4.25
12	Paraguay	4.08
13	Guatemala	3.84
14	Bolivia	2.43
15	Venezuela	1.40

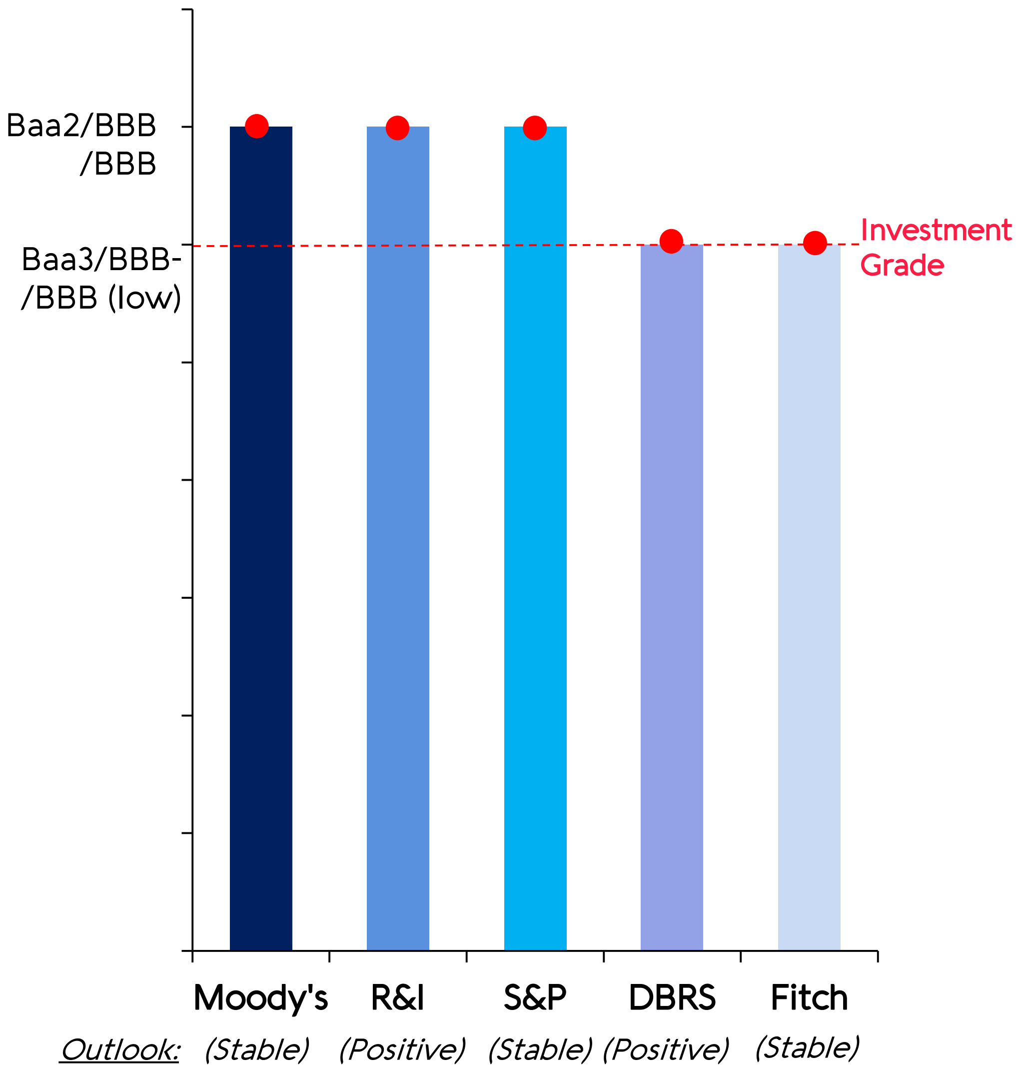
The Capacity to Combat Corruption Index evaluates and ranks countries based on how effectively they can combat corruption, based on three pillars: legal capacity, democracy and political institutions and civil society and media.

(1) *Source: Americas Society/Council of the Americas (AS/COA) and Control Risks (June, 2022).*

7

Uruguay’s is an investment grade, low-beta country

Uruguay’s sovereign credit ratings (1)
(As of April 2022)



Latest credit rating action (2)

FitchRatings — ***June 2022.*** Confirmed Uruguay’s rating at BBB-, and maintained the stable outlook.

Standard & Poor’s Ratings Services — ***April 2022.*** Affirmed Uruguay’s rating at BBB with stable trend.

DBRS — ***November 2021.*** Uruguay´s rating affirmed at BBB (low), and improved the outlook to positive from stable.

Moody’s Investors Service — ***August 2021.*** Affirmed Uruguay's rating at Baa2, outlook remained stable.

R&I — ***June 2021.*** Confirmed Uruguay’s rating at BBB with positive trend.

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

8 Resilient debt structure and sustainable financing strategies

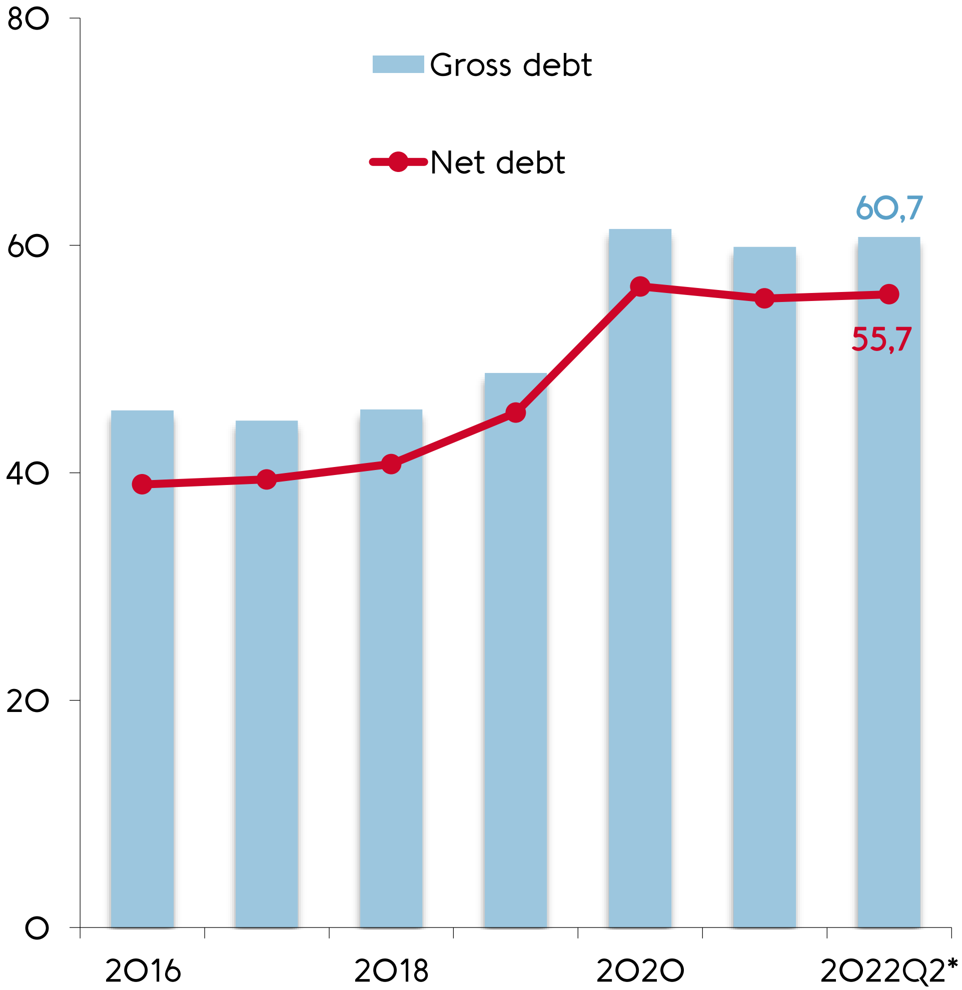
Garza (*Garza Mora Ardea) Photo credit: Leonardo Colistro.*

8

Proactive debt management strategies to de-risk debt portfolio while keeping borrowing costs contained

Gross and net debt stock

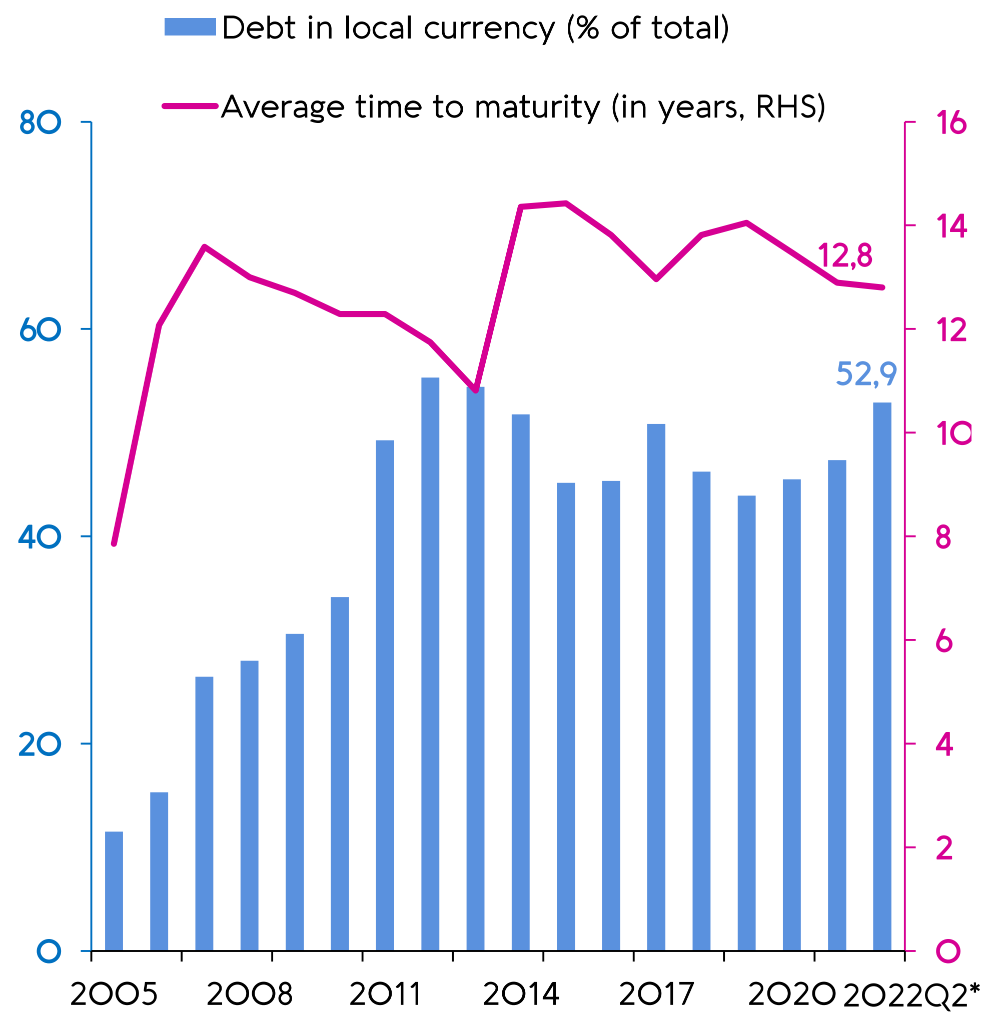
(As of end-period, in % of GDP)



(*) Preliminar

Currency and maturity composition of debt

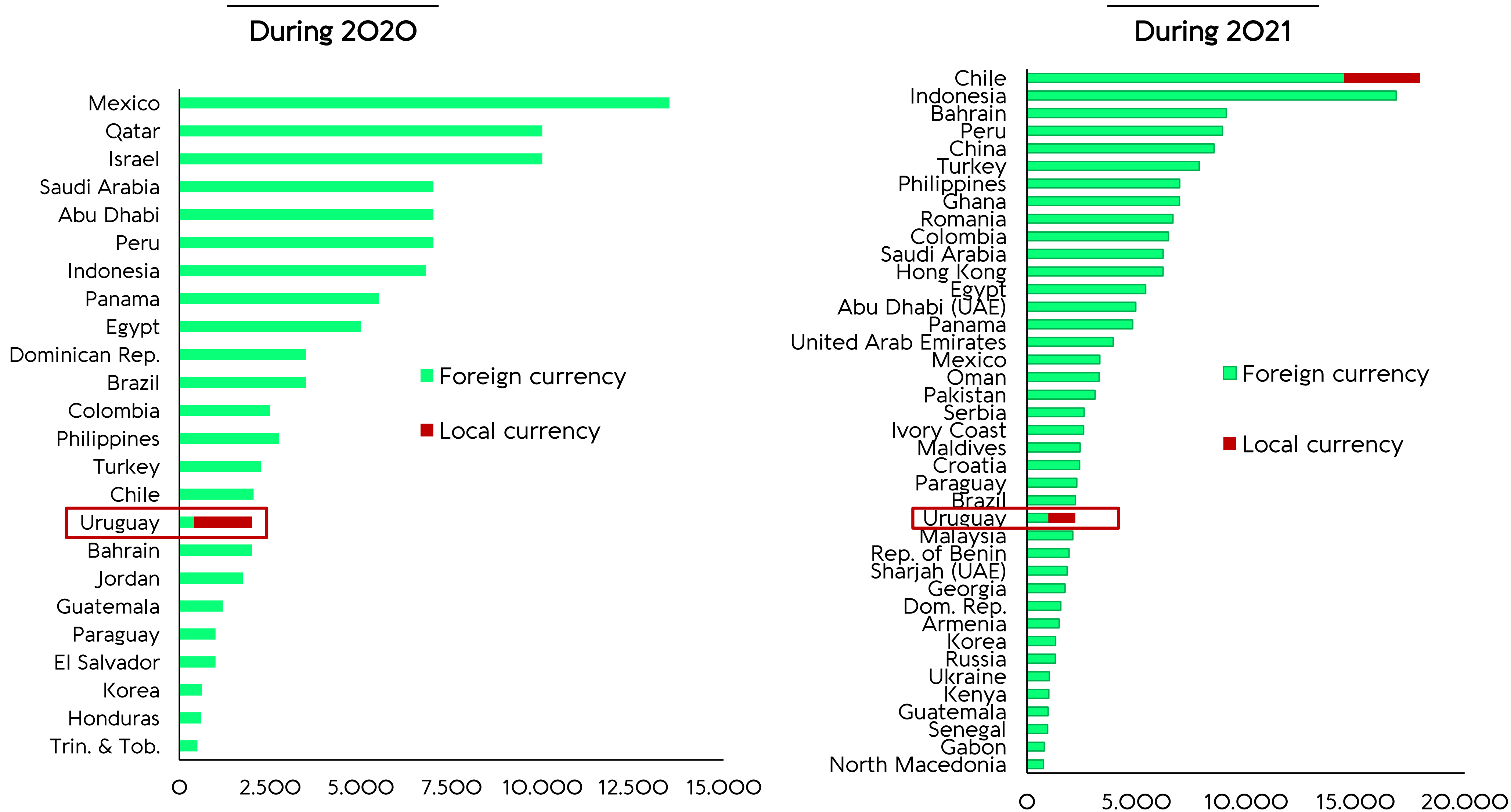
(As of end-period)



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

8 During 2020 and 2021, Uruguay's bond issuance has been mostly in local currency

Emerging markets: Sovereign international bond issuances (*)
(In USD million)

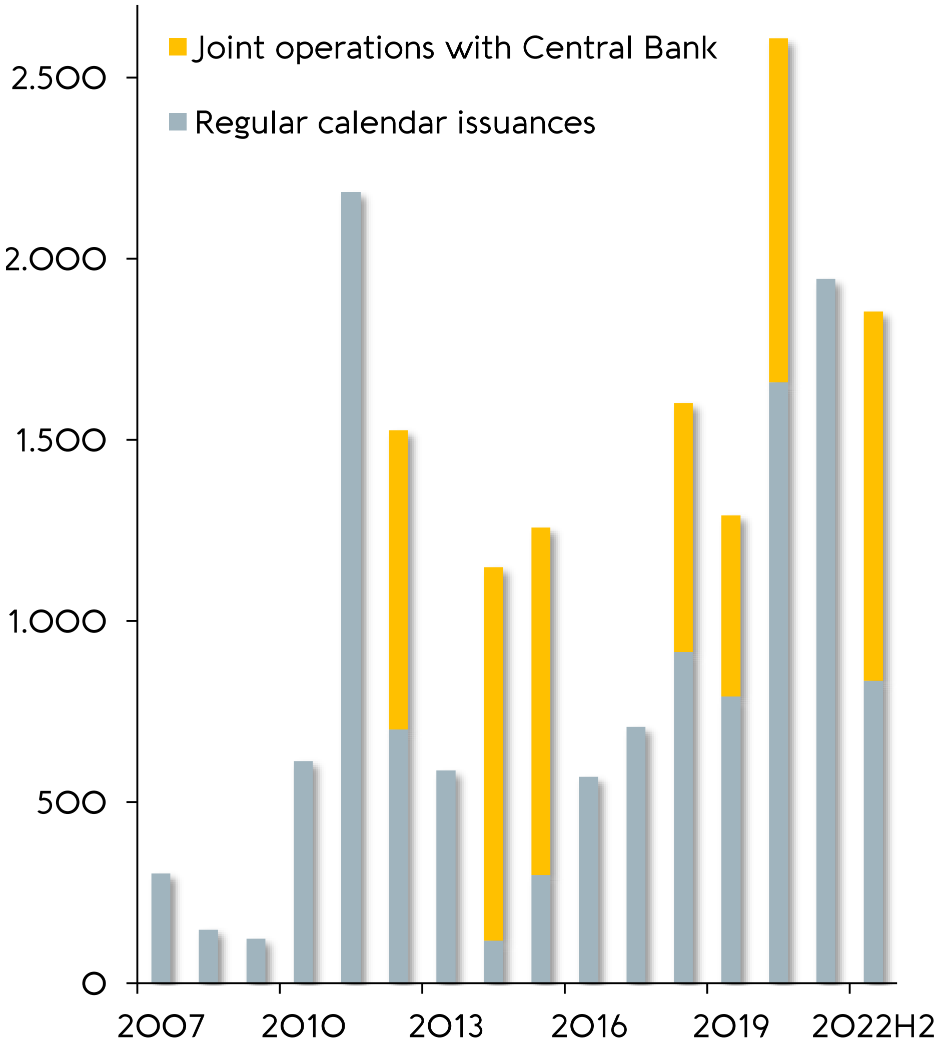


(*) For countries with several transactions in multiple currencies during the year, it shows the sum of total amount issued.
Excludes European EM countries that have issued in Euros.

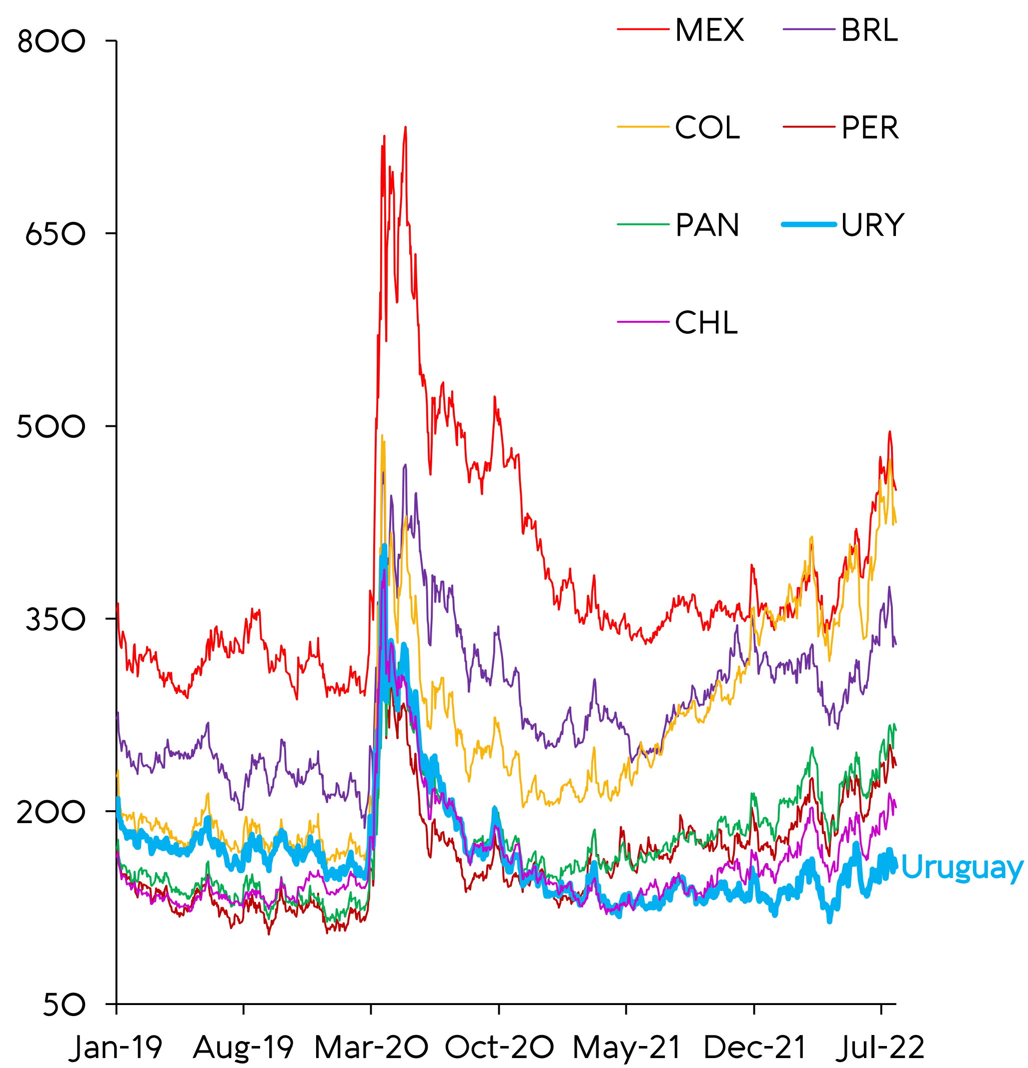
Source: Own calculations based on Bloomberg.

8 Growing relevance of the domestic market; lowest EMBI in Latam

Uruguay: Treasury notes issuances in domestic market (1)
(In USD million equivalent)



Sovereign risk premia(2)
(EMBI spread, in bps)



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

Funding needs and financing sources for 2022 and 2023

Flow of funds

(Annual, in USD million)

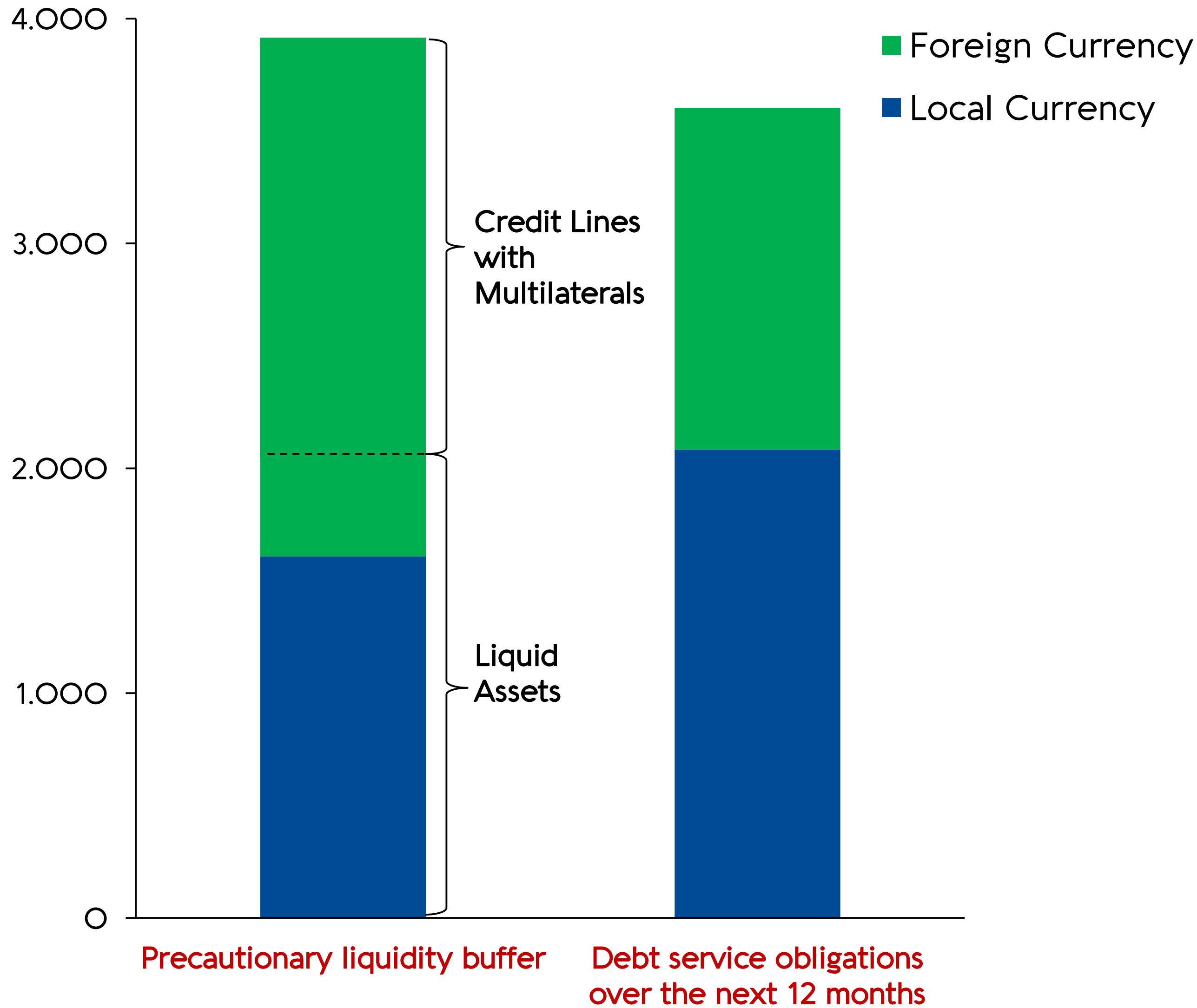
	2022 (*)	2023 (*)
FINANCING NEEDS	**4,479**	**4,185**
Primary Deficit (1)	544	195
Interests Payments (2)	1,682	1,773
Amortizations of Bonds and Loans (3)	1,962	1,850
Change in Financial Assets	291	367
FUNDING SOURCES	**4,478**	**4,185**
Disbursements from Multilaterals and Fin. Instit.	550	350
Total Issuance of Market Debt (4)	3,714	3,710
Others (net) (5)	214	125
Memo Item: Government Net Indebtedness (GNI)	2,011	1,844

(*) Preliminary. 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 interest payments to the SSTF on its holdings of Central Government debt, but does not net out market price valuation gains on above-par bond issuances.
(3) For 2022, includes the obligations coming due on a contractual basis and bonds repurchased and early redeemed through July 31st 2022.
(4) Includes bonds issued domestically and in international markets.
(5) Includes exchange rate and market price valuation effects.

Source: Ministry of Economy and Finance of Uruguay.

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

Liquidity buffers of the Government and short-term debt service obligations [(1)]
(In US$ million, as of end-June 2022)



Available precautionary credit lines with multilaterals totalize **USD 1.9 billion**:

- Corporación Andina de Fomento (*USD 750 million*);
- Fondo Latinoamericano de Reservas (*USD 665 million*)
- Inter-American Development Bank (*USD 450 million*)

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

8 Cornerstones of debt management strategy and sustainable financing

- Seek a balanced currency composition of debt in terms of local and foreign currency.
- Maintain a robust average maturity of debt, to keep roll-over risks low.
- Diversify sources of funding and continue broadening the investor base, particularly ESG-focused accounts.
- Align sovereign funding strategies with achieving ambitious environmental targets to address climate change.

8 Developing a Sustainability-Linked Sovereign Bond for Uruguay

- The Ministry of Finance of Uruguay, together with the Ministries of Environment, Industry and Energy and Agriculture and Livestock, is working on a novel Sovereign SLB tied to Uruguay`s climate action outcomes.

- We plan to follow a "performance-based" approach: embedding environmental targets based on (1) **reduction of Greenhouse Gas (GHG) emissions** and (2) **conservation of natural forests**, aligned with Uruguay`s NDC commitments under the Paris Agreement.

➡ Connecting the objectives of sovereign debt funding with the priority of tackling climate further strengthens the commitment of the country to its sustainability agenda, **enhancing accountability and credibility**.

➡ Our commitment to environmental targets is magnified by creating **binding financial consequences** in achieving our climate objectives.

8 Step-up/step-down coupon structure based on country`s environmental performance

- Uruguay seeks to implement an **innovative financing mechanism that links the country's cost of capital to its delivery of** ambitious climate and nature goals.

- Embedding **better-aligned financial incentives** in sovereign fixed-income instruments can achieve the integration of nature and climate considerations into sovereign debt markets, **providing positive incentives for countries to contribute to global public goods.**

- We believe it would also more concretely reflect the **support and conviction of lenders and investors** in the progression to global environmental goals.

República Oriental
del Uruguay

THANK YOU