



República Oriental del Uruguay

Investor Presentation

June 2023



Ministerio
**de Economía
y Finanzas**



Key Credit Highlights

- 1 Strong economic growth during 2022, driven by foreign direct investment, industrial production and higher commodity exports; despite solid real GDP growth in 2023Q1, business cycle indicators suggest decelerating economic activity in 2023, impacted by drought and lower external demand.
- 2 Steady improvement of public finances, delivering on fiscal targets in 2020, 2021 and 2022; moderate widening of fiscal deficit in the first months of 2023, driven by public investment spending
- 3 In the context of receding inflationary pressures, Central Bank very gradually started reducing short term policy rate, still holding a contractionary monetary policy stance.
- 4 Current account deficit more than fully financed by FDI, amid real exchange rate appreciation and
- 5 Government forges ahead with structural and fiscally-conservative reforms, including recent social security reform law passed by Congress.
- 6 Uruguay continues to be among the top global performers on ESG fundamentals.
- 7 Debt management strategies aimed at de-risking debt portfolio, while keeping borrowing costs contained; sustainable financing strategies aligned with environmental commitments.
- 8 String of recent rating upgrades and improvements in credit outlook by all five rating agencies, reflecting strong fundamentals: Fitch upgraded Uruguay to “BBB” in June 2023, for the first time since 1995.

The economy continued to expand in 2022; however, leading indicators suggests slower growth in 2023

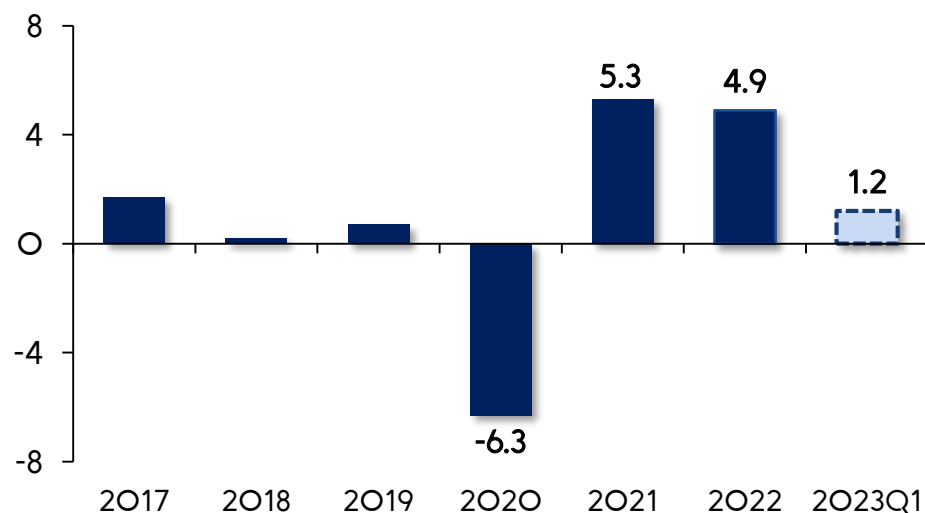


The economy continued to expand in 2022, overperforming pre-pandemic levels; Uruguay leads in GDP per capita in Latin America.



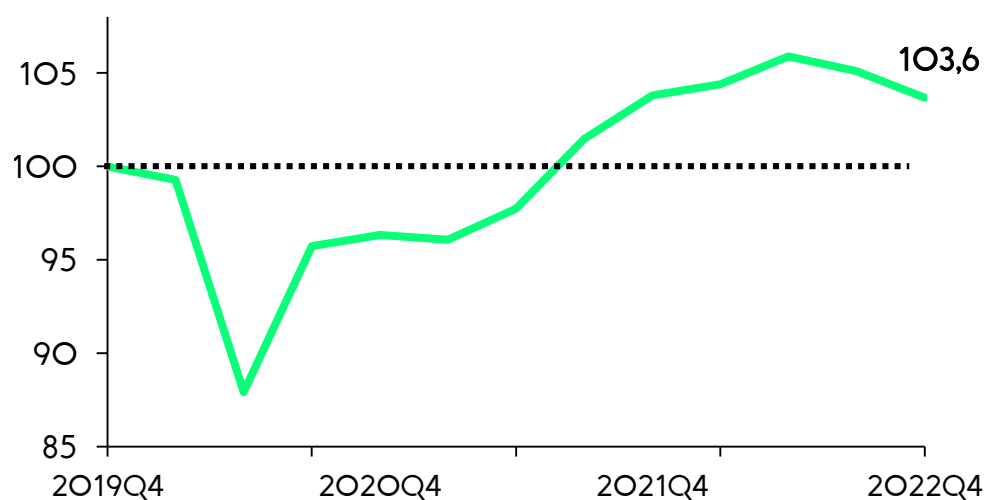
Annual real GDP change ⁽¹⁾

(YoY, ln %)



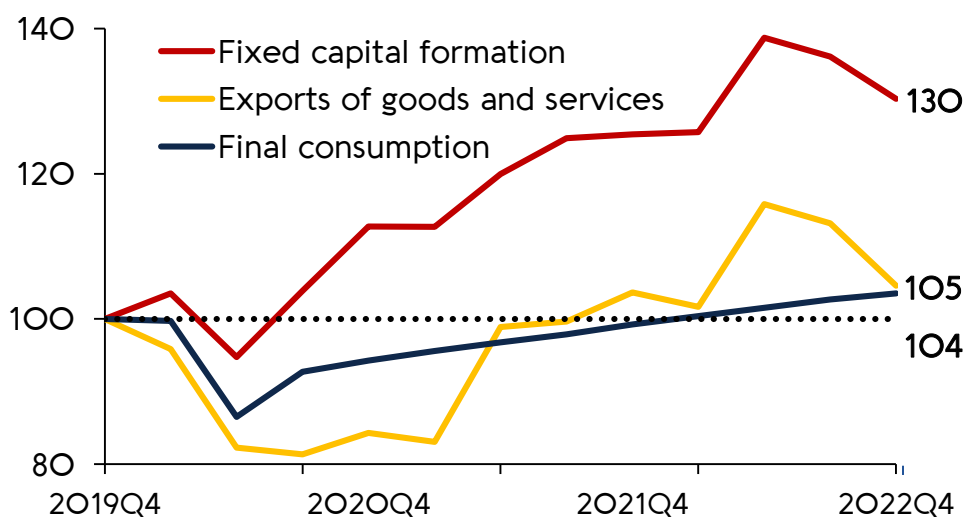
Real GDP ⁽²⁾

(Seasonally adjusted physical volume index, 2019Q4=100)



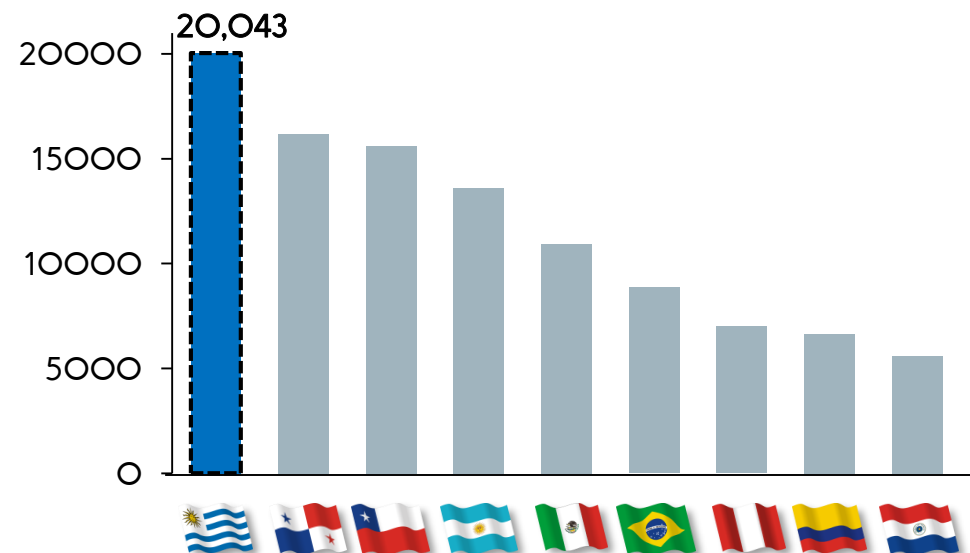
Components of real GDP demand ⁽²⁾

(Seasonally adjusted physical volume index, 2019Q4=100)



Nominal GDP per capita 2022 ⁽³⁾

(Current prices, US dollars)



(1) Source: Central Bank of Uruguay.

(2) Source: Ministry of Economy estimates available through 2020Q4, based on data from BCU.

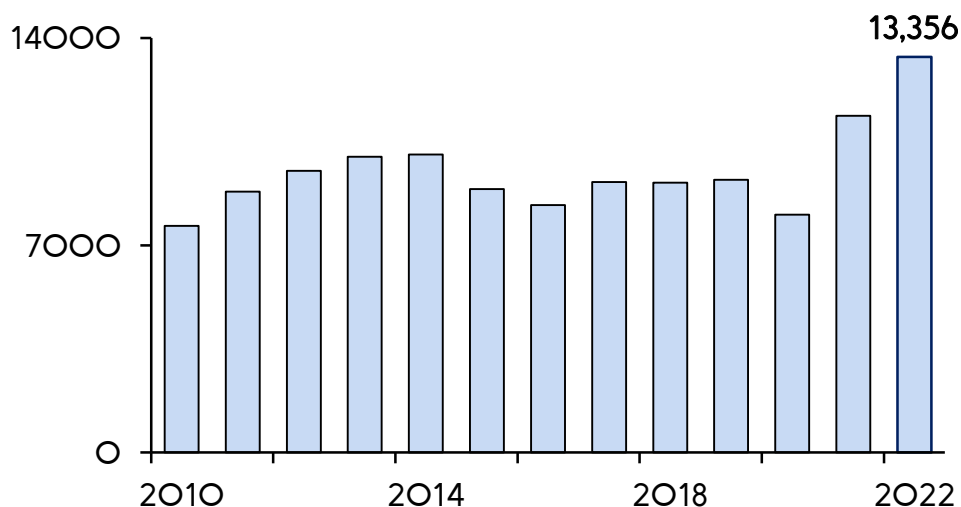
(3) Source: For Uruguay, annual nominal GDP in USD through 2022Q4 from Central Bank of Uruguay and population from National Institute of Statistics. For the rest of LATAM countries: WEO October 2022, International Monetary Fund estimates on nominal GDP in dollars and population for 2022.

Goods exports hit a record high in 2022 on the back of higher commodity prices; inbound tourism was higher in 2023Q1 than in 2019Q1, before the onset of the global pandemic.



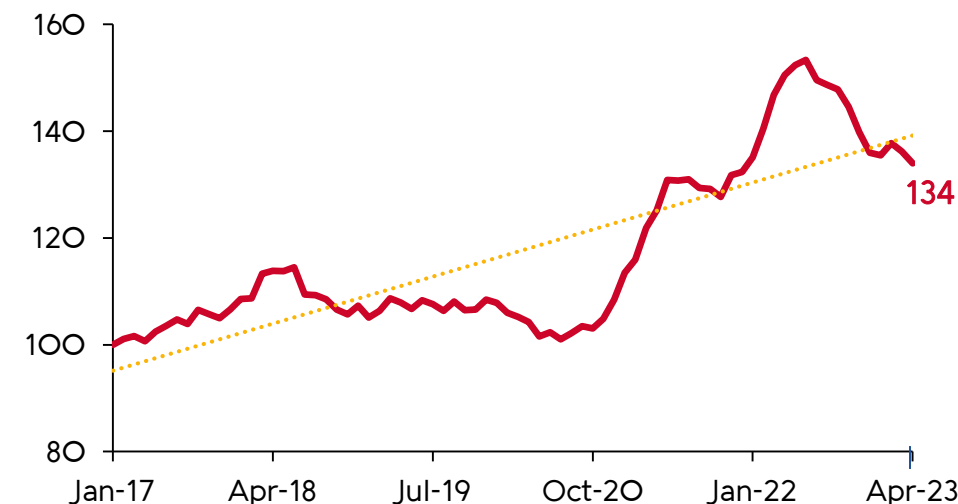
Export of goods (1)

(Annual, in millions of FOB USD)



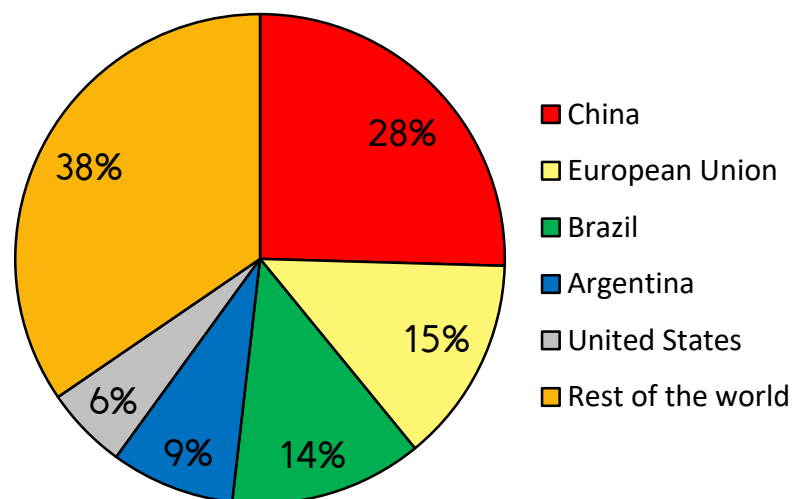
Commodities exports prices (2)

(Index base 100=Jan 2017)



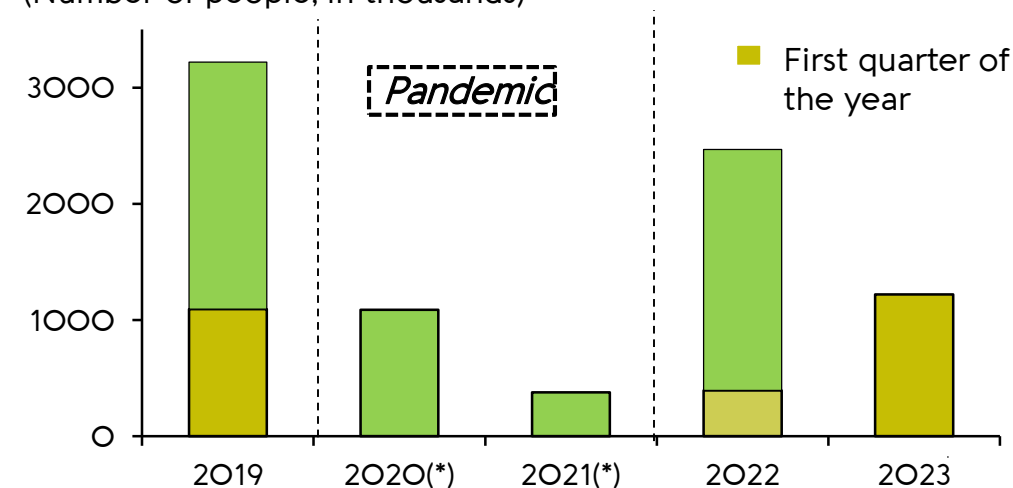
Export of goods by destination (1)

(% in total, 2022)



Tourists inbound (3)

(Number of people, in thousands)



(1) Source: Uruguay XXI (figures include exports from the Free Trade Zones to the rest of the world).

(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 export prices.

(3) Source: Ministry of Tourism. (*) 2020 and 2021 are estimates based on migration data, made by Ministry of Economy and Finance. Quarterly breakdown is not available for these years.

Market-friendly business regulations and broad tax incentives for fixed capital formation underpinned investment dynamics.



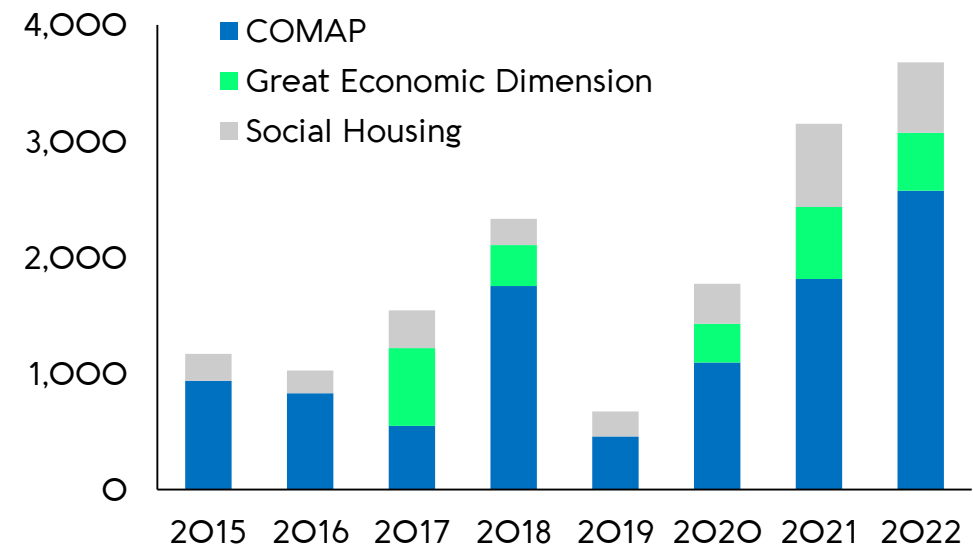
Uruguay ranked #1 as “the safest country in Latin America to invest in” by Euromoney in 2022.

- Uruguay offers a favourable environment and financial freedom for doing business. Foreign investors are granted the same incentives as local investors: there is no tax discrimination or restrictions for transferring profits abroad.
- Investor-friendly policies and regulations, respect for rule of law and trade openness.
- Uruguay grants several incentives to different types of activities, from industrial to commercial and services performed in the country.
- Focus on attracting FDI to develop sustainable sources of energy to export to the rest of the world.

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 energy technologies.

Investment projects submitted under promotion regimes⁽¹⁾ (USD millions)



(1) Source: Ministry of Economy and Finance of Uruguay. The COMAP (by its acronym in Spanish) is the agency overseeing the investment promotion regime.

UPM completed the construction of the second pulp mill, on schedule, and started its production and exporting operations; announcement of a large FDI project for producing e-fuels to start in late 2024

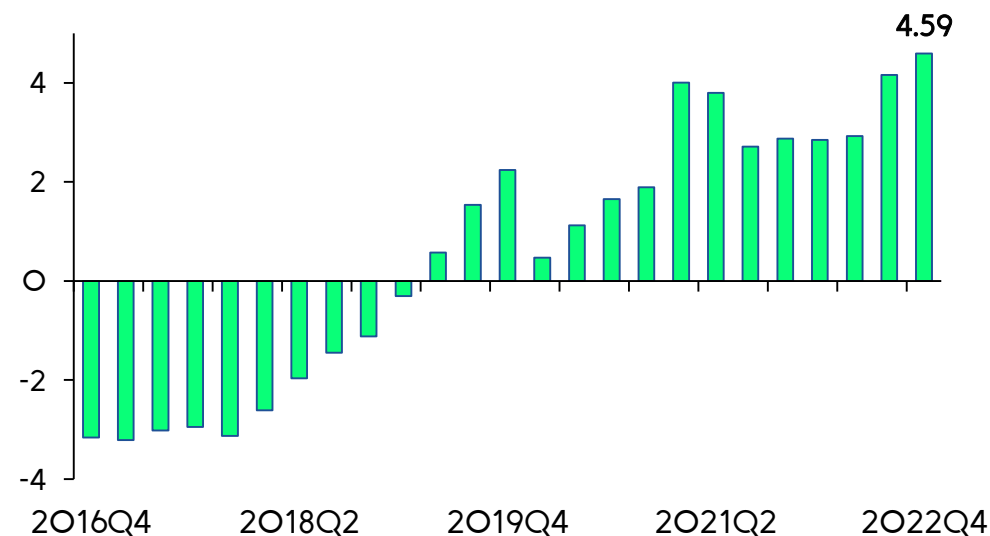


UPM's pulp mill and Central Railway project ⁽¹⁾

- The construction of the new UPM plant was completed in December 2022 and the plant began operating in April 2023.
- UPM invested a total of approximately **US\$ 3.5 billion (4.8% of GDP)** to build a 2.1 million-ton greenfield eucalyptus pulp mill in Durazno and a port terminal in Montevideo.
- **The construction of the Central Railway is still ongoing.** It will be running from Paso de los Toros city to the port of Montevideo (273 km long).



FDI net capital inflows ⁽²⁾ (Rolling 4-quarters, in % of GDP)



- On June 8, 2023, ANCAP announced a **US\$4 billion investment for the production of e-fuels and related infrastructure and facilities**, through a joint venture investment with HIF Global, based on the development of **green hydrogen and captured biogenic carbon dioxide**.
- The project is expected to produce 180,000 metric tons of e-gasolines per year using 710,000 tons of captured carbon dioxide produced by ANCAP's biofuel subsidiary and 100,000 tons of green hydrogen derived from electricity generation produced from expanded wind and solar sources.
- The construction is planned to start in **late 2024**.

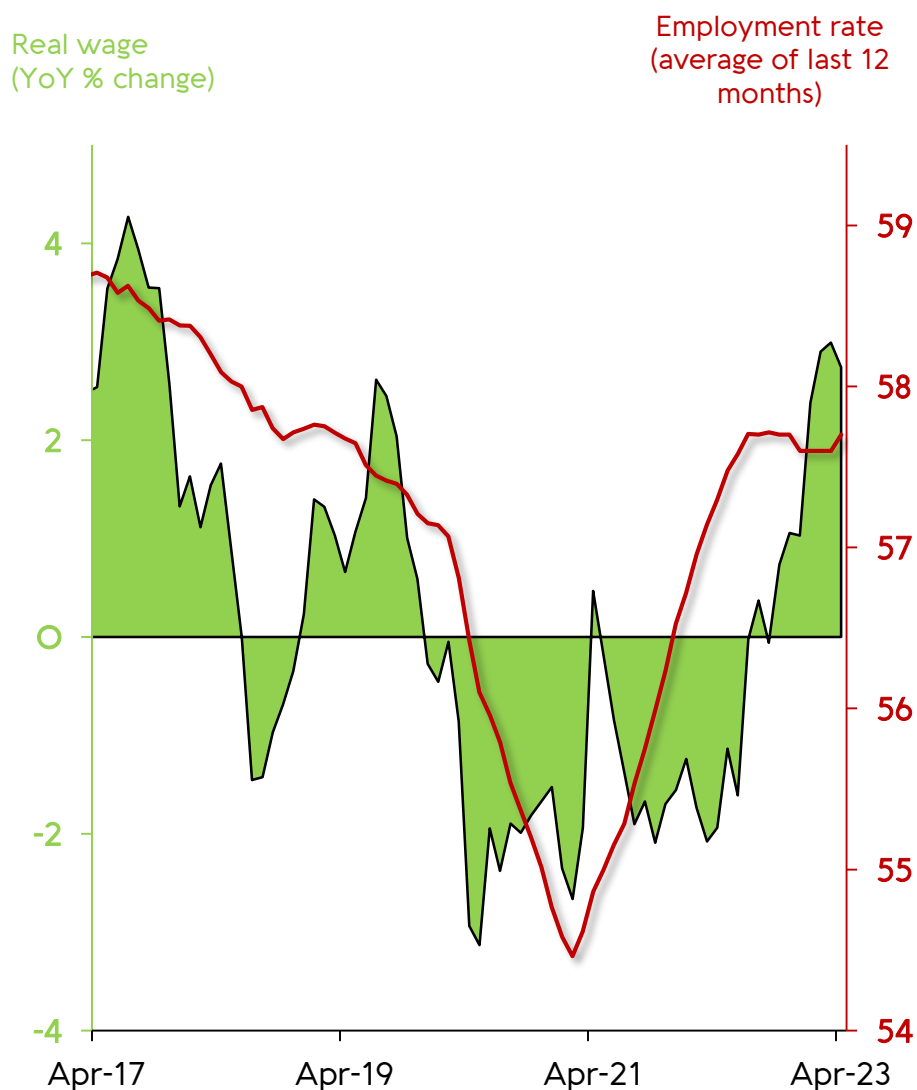
(1) Source: Ministry of Economy and Finance of Uruguay and UPM.

(2) Source: Central Bank of Uruguay

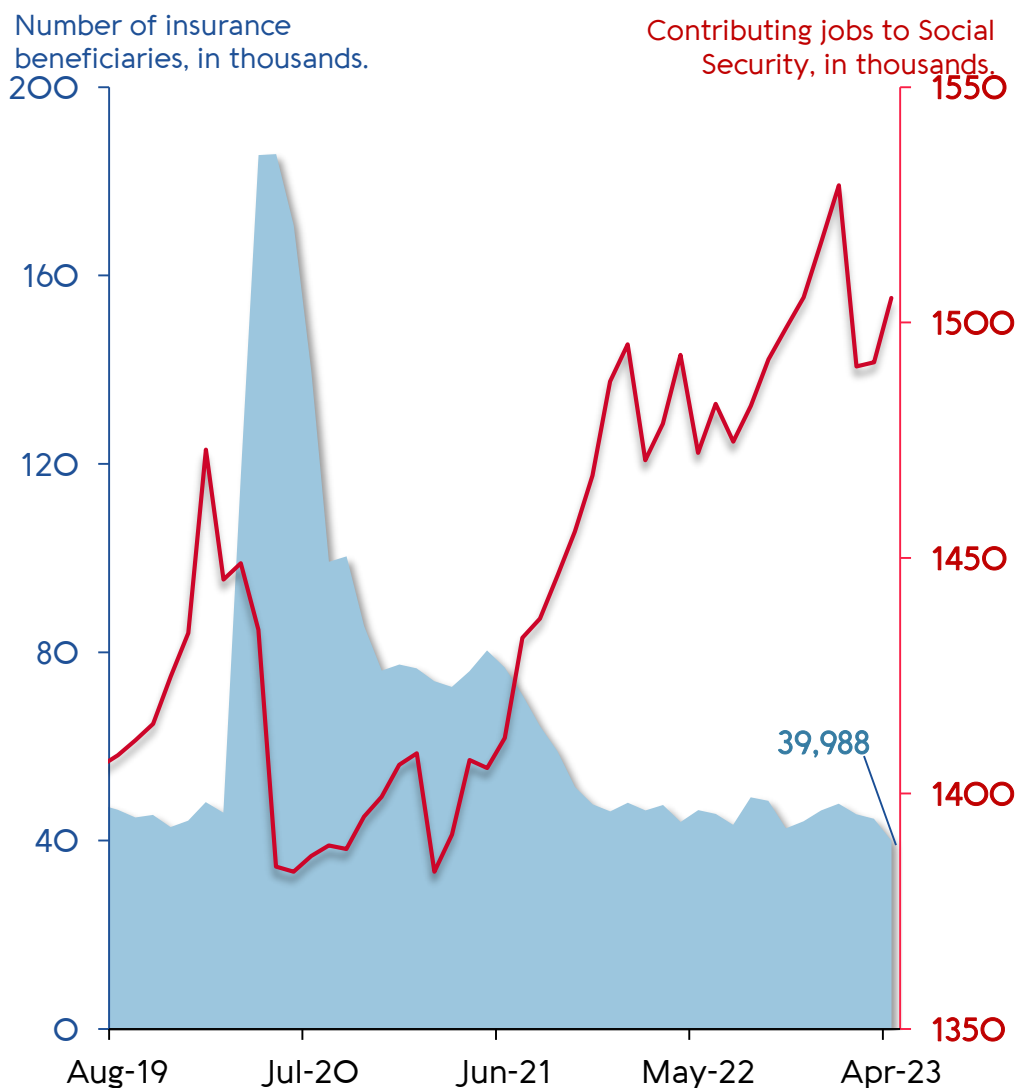
Stronger labor market indicators, reflected in upturn in real wage growth and higher formal job creation.



Employment and real wages ⁽¹⁾



Unemployment Insurance and formal job creation ⁽²⁾



(1) Source: National Institute of Statistics.

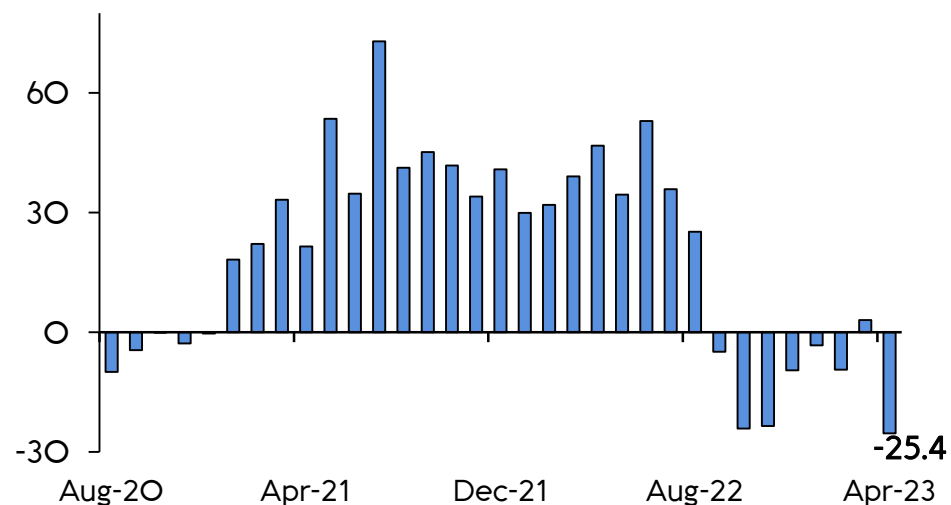
(2) Source: Social Protection Bank (Banco de Prevision Social).

Despite solid real GDP growth in 2023Q1, business cycle indicators point to slower economic activity in 2023, weighed down by a severe drought and lower regional and global demand.



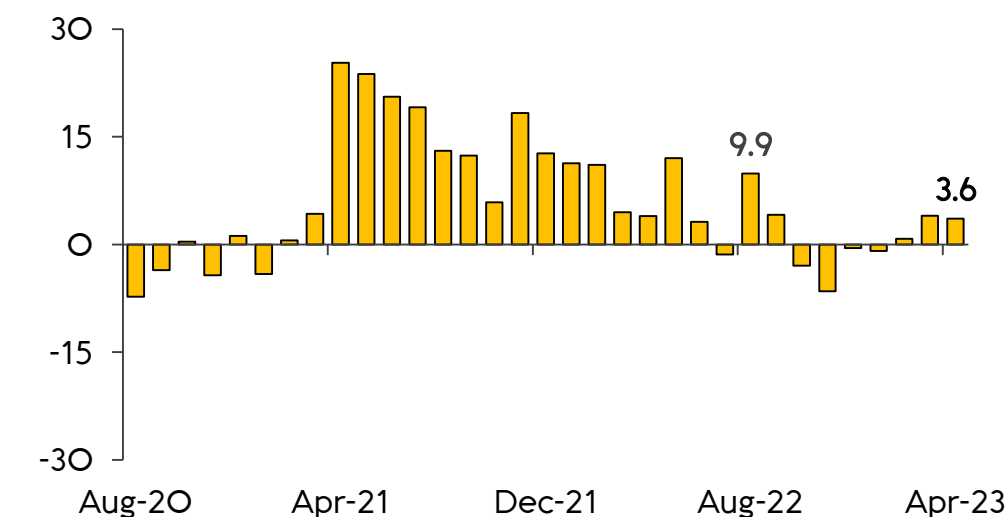
Exports of goods ⁽¹⁾

(YoY change in dollar amount, in %)



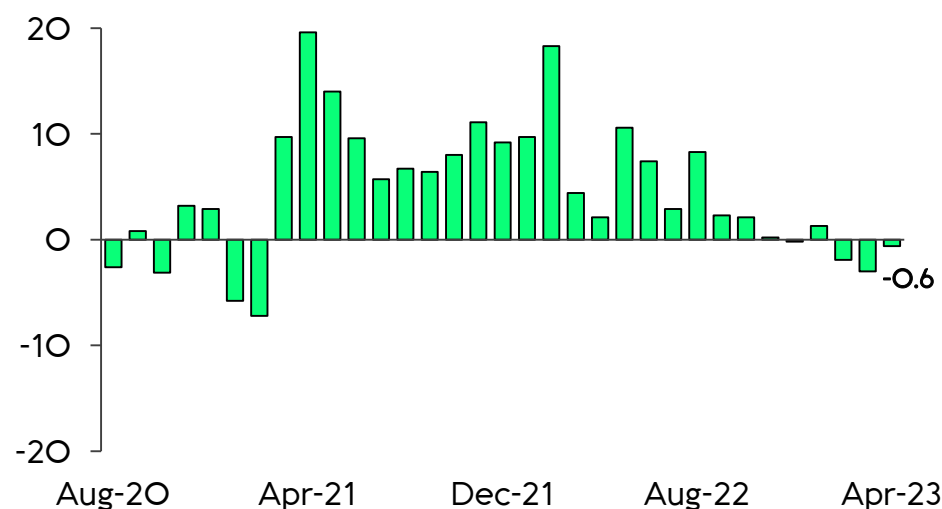
Industrial Production (*) ⁽²⁾

(YoY real change, in %)



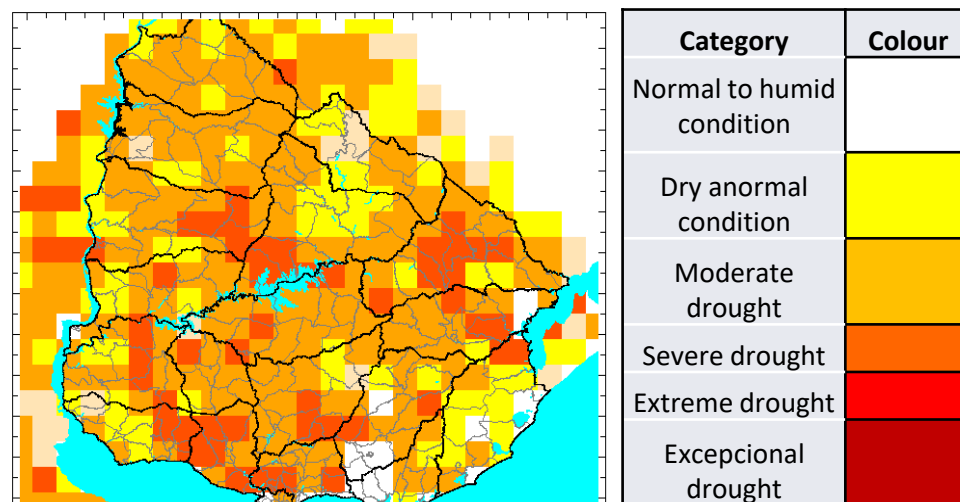
Tax revenue collection ⁽³⁾

(YoY real change, in %)



Hydric Map and Drought Severity Index ⁽⁴⁾

(January, 2023)



(1) Source: Ministry of Economy and Finance.

(2) Source: Ministry of Economy and Finance. (*) Data does not include state owned refinery.

(3) Source: Tax Collection Office, Ministry of Economy and Finance.

(4) Source: National Agricultural Information System. The Drought Severity Index combines rainfall estimates based on satellite data, surface temperatures and a vegetation index based on Rhee (2010).

Fiscal discipline aligned with fiscal rule

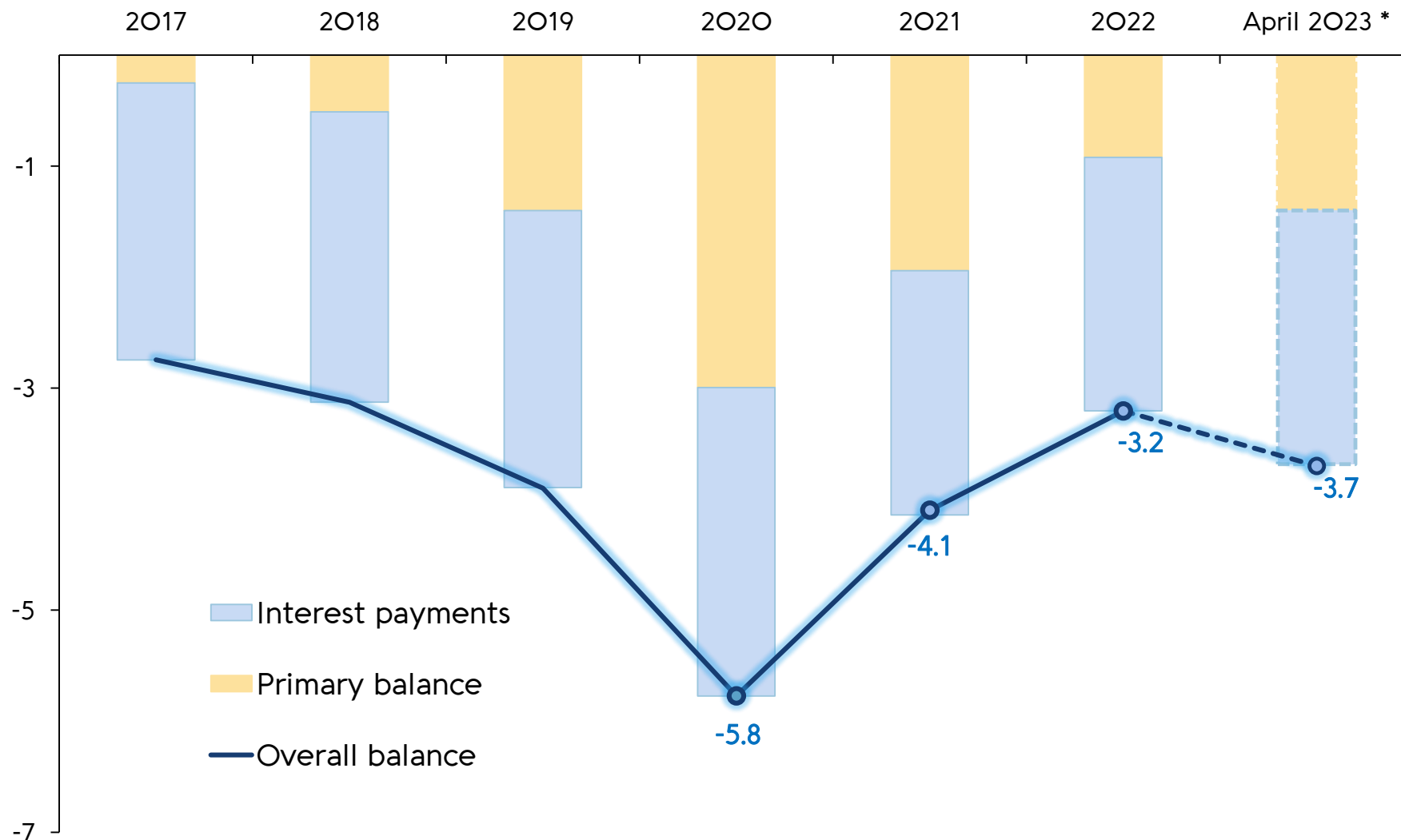


Steady annual improvement in public finances based on strong commitment to fiscal discipline...



Central Government's fiscal balance

(In % of GDP)



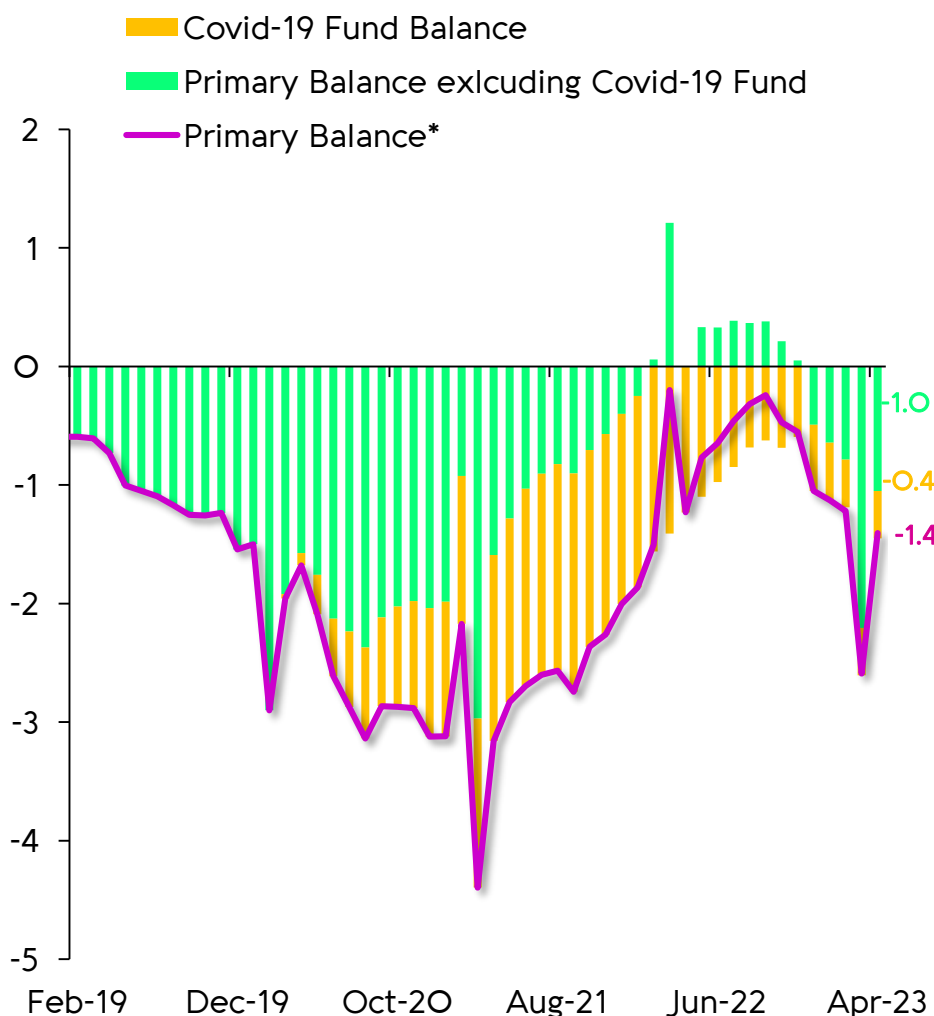
Source: Central Bank of Uruguay; Ministry of Economy and Finance of Uruguay. Does not include extraordinary inflows to the Social Security Trust Fund.
(*) Last 12 months.

...yet the primary fiscal deficit has widened moderately since the last quarter of 2022– mostly explained by an increase in public investment spending in late 2022 and cyclically softer tax revenues since early 2023.



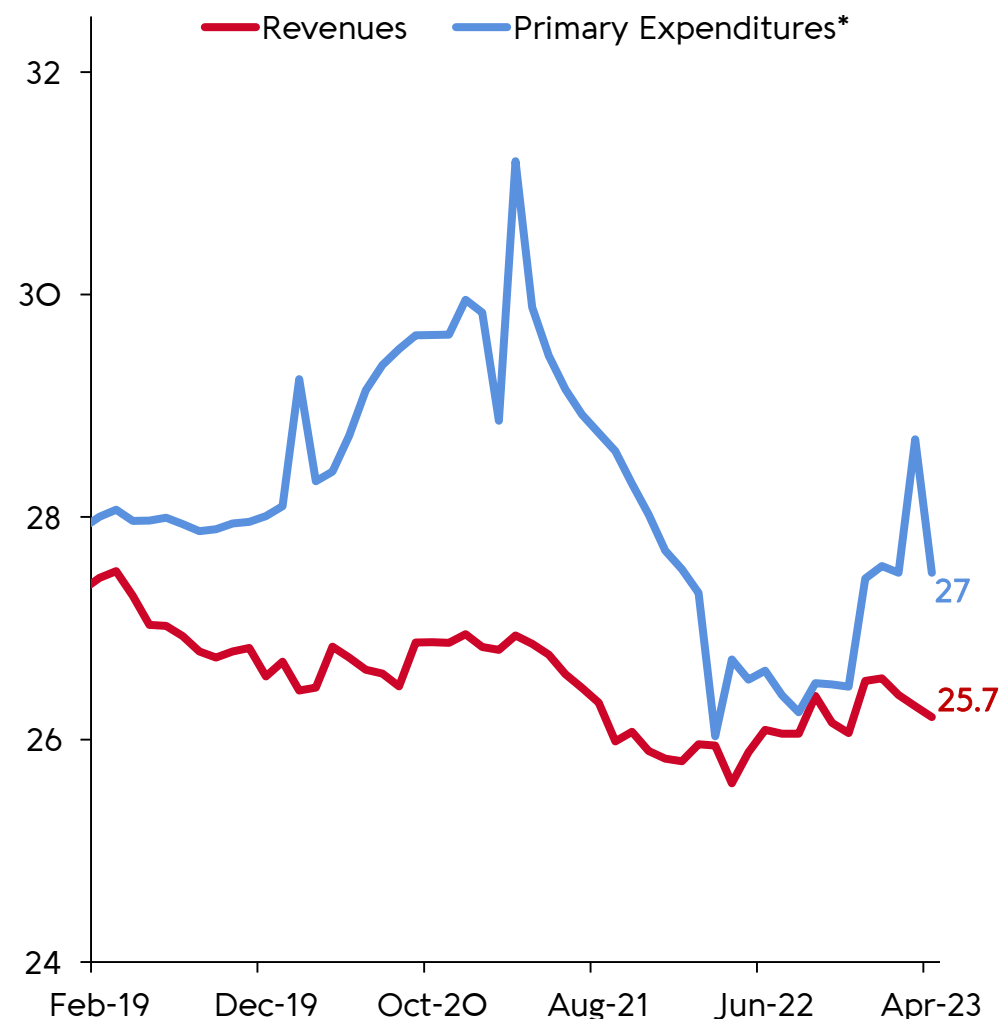
Central Government's primary balance ⁽¹⁾

(Last 12 months, in % of GDP)



Central Government's revenues and primary expenditures ⁽²⁾

(Last 12 months, in % of GDP)



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

2) Source: Ministry of Economy and Finance of Uruguay

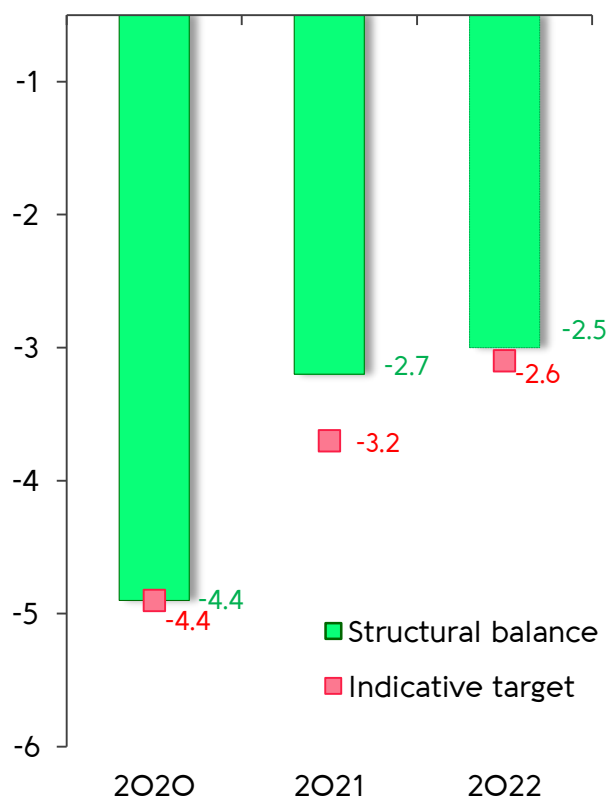
(*) In March 2023, payment of pensions and salaries were done twice, as Easter week occurred the first week of April.

The government has met the three pillars of the fiscal rule for three years in a row, underpinning fiscal credibility.



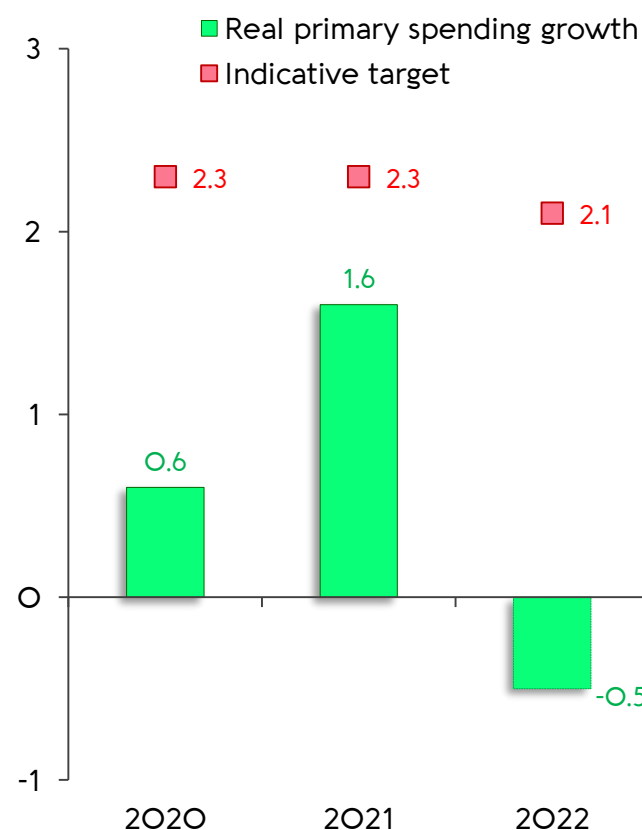
Indicative target on structural fiscal balance, to account for business cycle fluctuations and one-off/temporary spending and revenue items.

Structural balance
(In % of GDP)



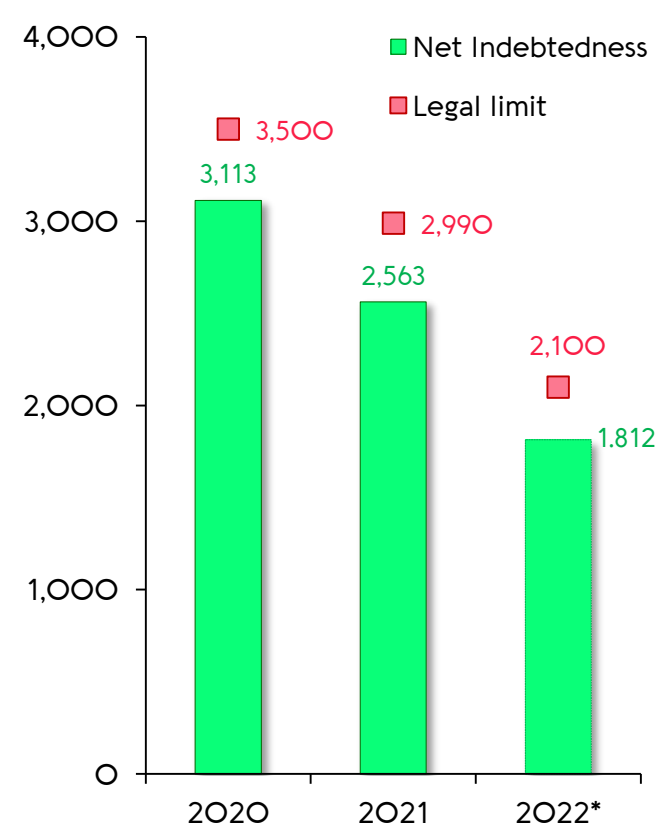
Indicative target cap on real growth in primary expenditure in line with estimated potential real GDP growth

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



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

Net indebtedness
(USD mm)



Source: Ministry of Economy and Finance of Uruguay.

(1) Potential real GDP growth rate was revised as of February 2022, from 2.3% to 2.1% (i.e. the indicative target for real primary spending growth is 2.1%).

(*) Preliminary data



Foundations of the 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.

Debt sensitivity analysis.

On June 2022, a **debt sensitivity analysis was conducted to quantify the uncertainty associated with the baseline debt projections**. Key variables that drive debt dynamics are exposed to random shocks. These shocks are based on the historical behavior of each variable. A range of debt-to-GDP trajectories are obtained, which allows for an evaluation of the risk distribution around specific projection in the baseline scenario.

Validation of Structural Balance calculations.

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**.

On February 22, 2023, the FAC publish the report with the review of the calculation of the Structural Fiscal Result for 2022. The Central Government's structural fiscal deficit stood at 2.5% of GDP in 2022, 0.7 percentage points lower than the headline balance (the latter impacted by the cyclical position of the economy, that negatively affected revenues and positively affected expenditures). Access the Executive Summary in English, in the following link: <https://www.gub.uy/ministerio-economia-finanzas/politicas-y-gestion/informes-del-consejo-fiscal-asesor>

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.

Enhancing the monetary policy framework and bringing down inflation



Monetary policies focused on reducing inflation and anchoring inflation expectations within target band



1

Commitment to lower inflation

- Key focus is to lower inflation and anchor inflation expectations within the target band, in a lasting way.

2

Short-term Interest rate as 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

Contractionary monetary policy stance

- As the pandemic eased and inflationary pressures build up, the Central Bank shifted towards a more contractionary monetary policy stance, increasing the reference rate by a cumulative 700 bps since September 2020, to **11.50%**. In the April 2023 meeting, the decision was to reduce the reference rate by 25bps (to **11.25%**), which was subsequently maintained in the May 2023 COPOM meeting.

5

Financial De-Dollarization

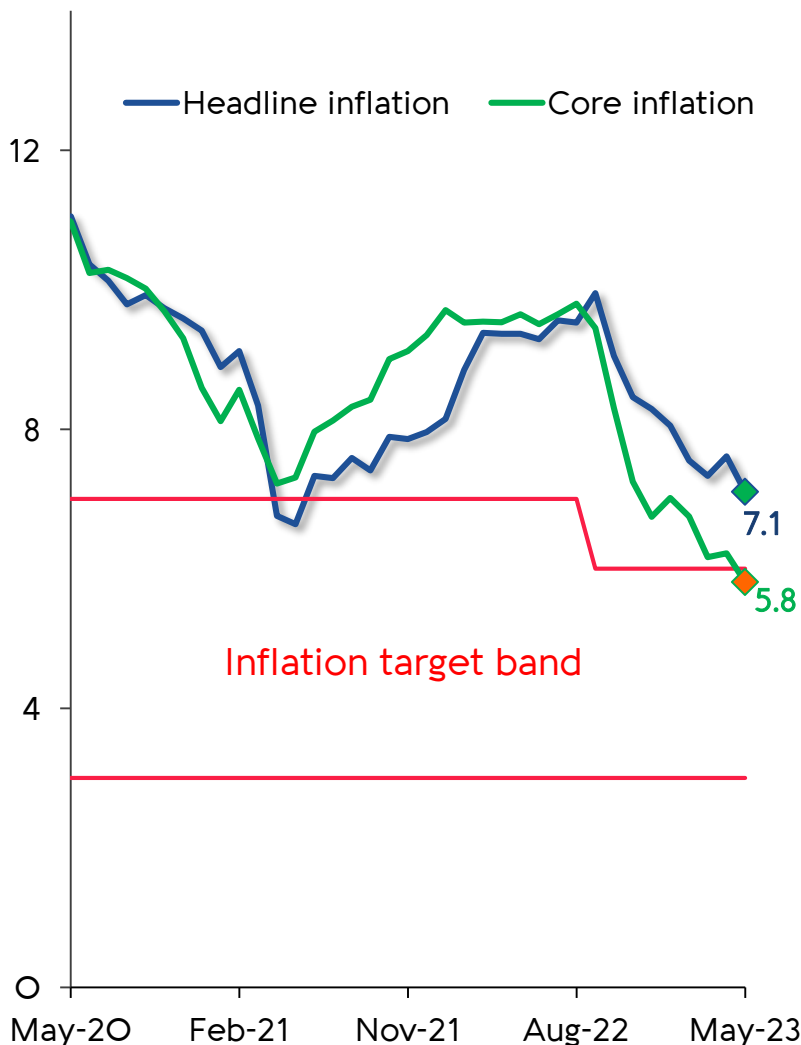
- Rebuilding markets in local currency to mitigate financial dollarization and developing FX derivatives markets
- More differentiation on taxes on interest gains on financial instruments, favouring local currency deposits and securities vis a vis dollar instruments.
- Encouraging public enterprises to be active in FX derivatives markets.

Inflation is still above the upper ceiling of the inflation target band, but poised to continue trending down– mostly driven by the tradable and administered prices components, and the gradual unwinding of a supply shock.



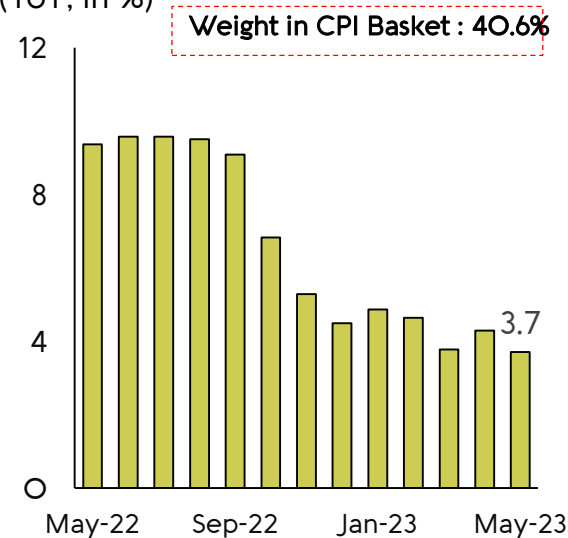
Headline inflation ⁽¹⁾

(YoY, in %)



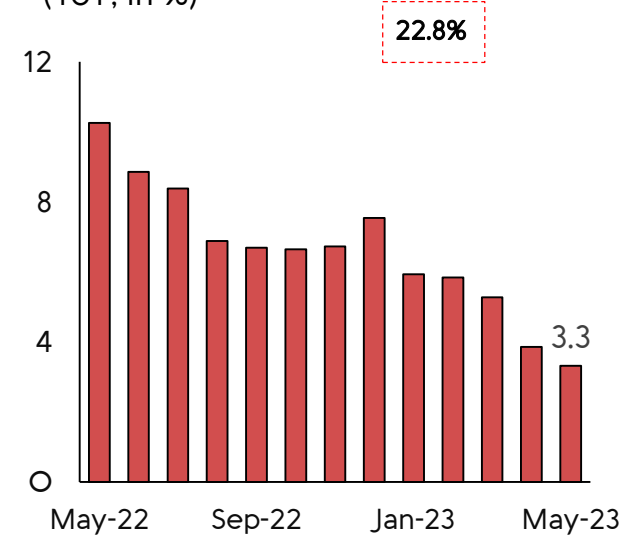
Tradable inflation ⁽²⁾

(YoY, in %)



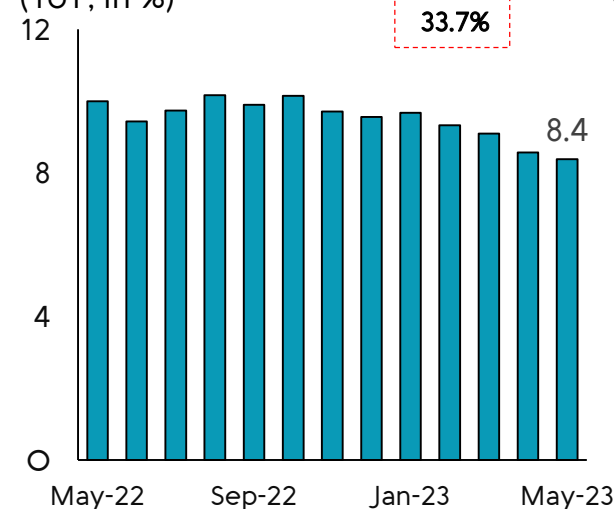
Administered prices inflation ⁽²⁾

(YoY, in %)



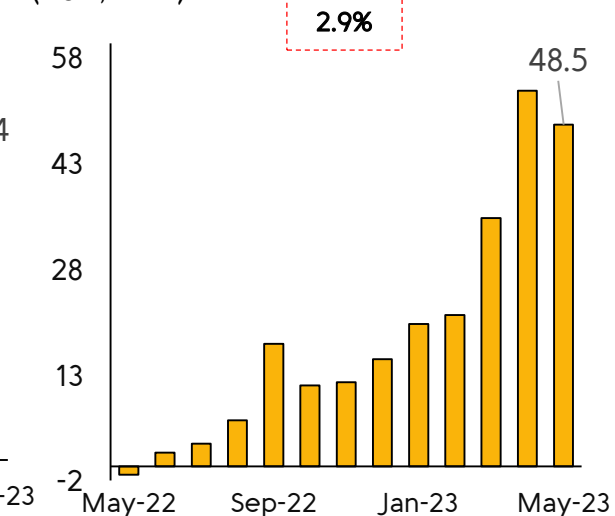
Non-tradable inflation ⁽²⁾

(YoY, in %)



Fruits and vegetables inflation ⁽²⁾

(YoY, in %)



(1) Source: National Institute of Statistics and Central Bank of Uruguay.

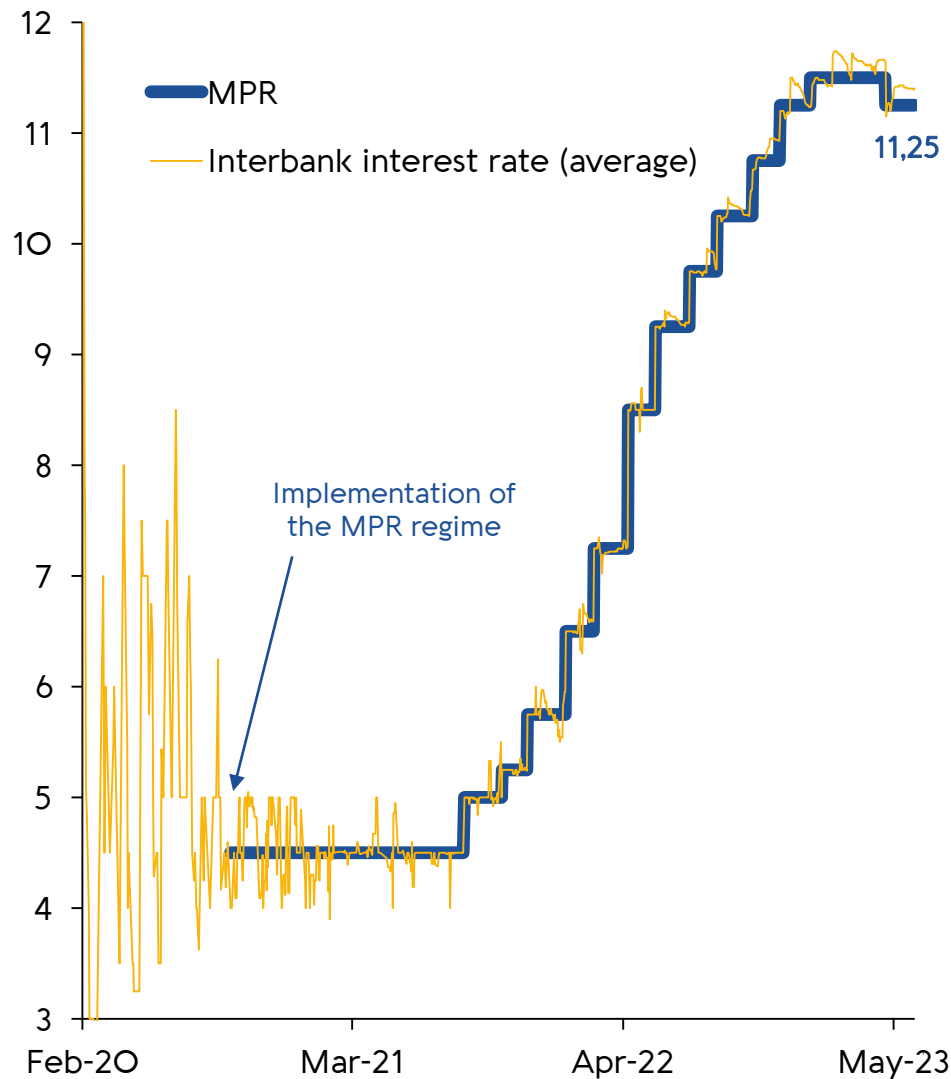
(2) Source: Central Bank of Uruguay.

Central Bank expects headline inflation to revert within the target band by 2023Q3, with monetary policy still on a contractionary stance.



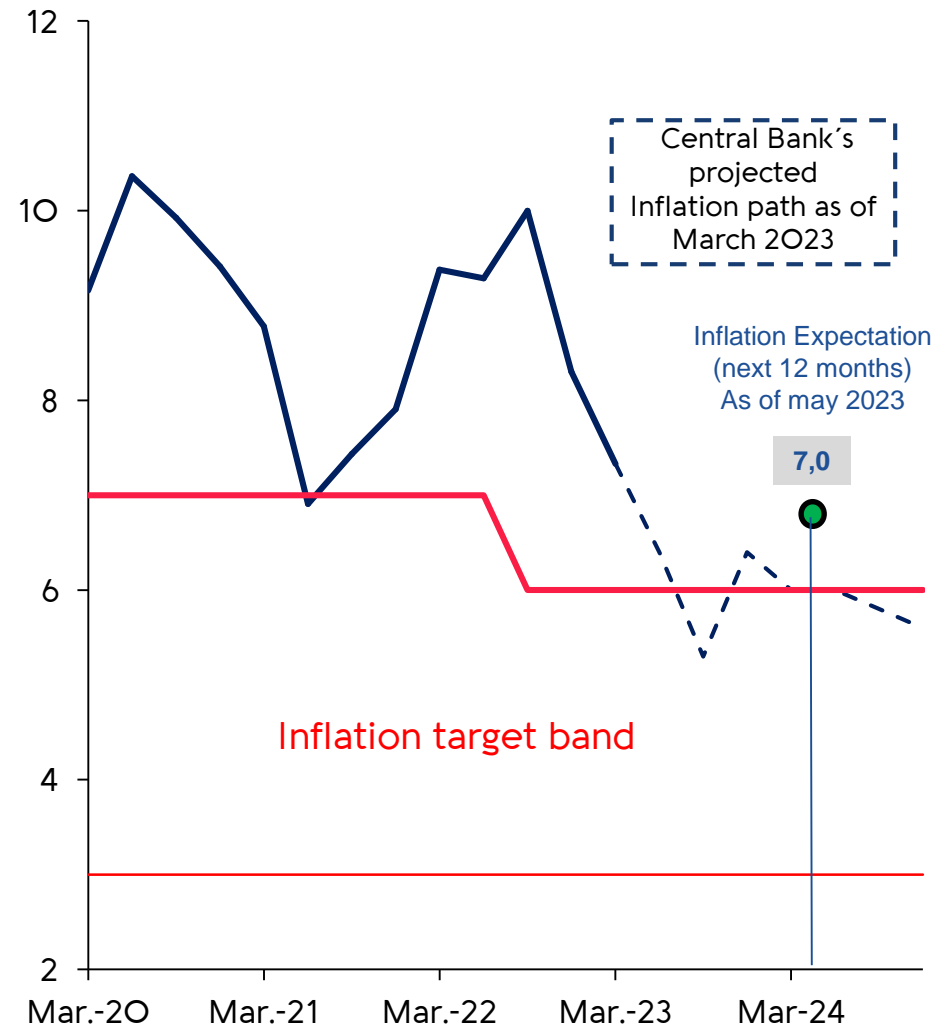
Interbank interest rate and Monetary Policy Rate (MPR) ⁽²⁾

(ln %)



Central Bank's projected inflation path and inflation expectations ⁽²⁾

(YoY, in %)



(1) Source: Central Bank of Uruguay. Before September 2020, the monetary policy instrument was growth in M1' monetary aggregate.

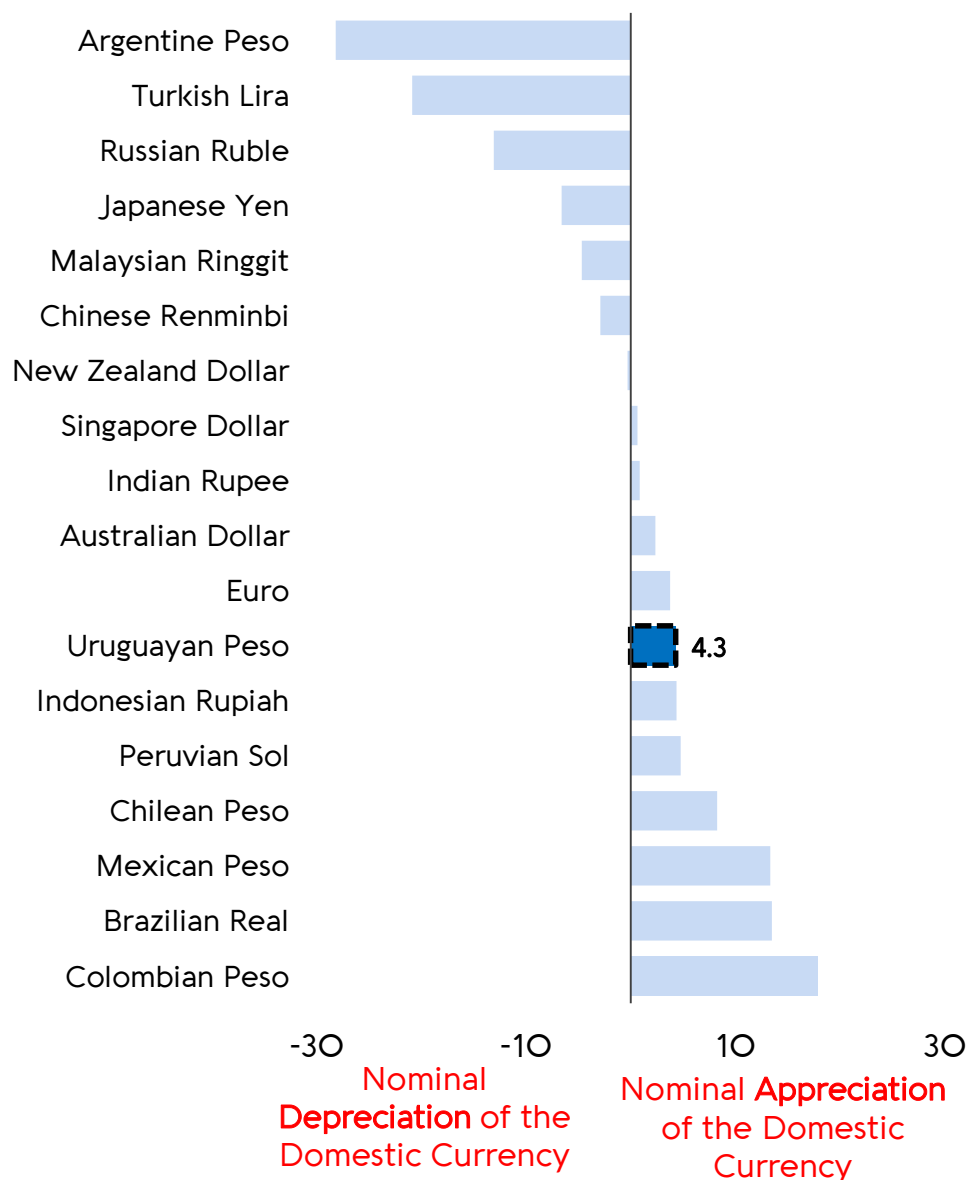
(2) Source: Central Bank of Uruguay. Quarterly forecasts of the baseline scenario as of March 2023. Median inflation expectations based on Central Bank's market survey as of April 2023.

The exchange rate has appreciated 4.3% YTD during 2023, and showed relative stability over the last three years, including during risk-off episodes



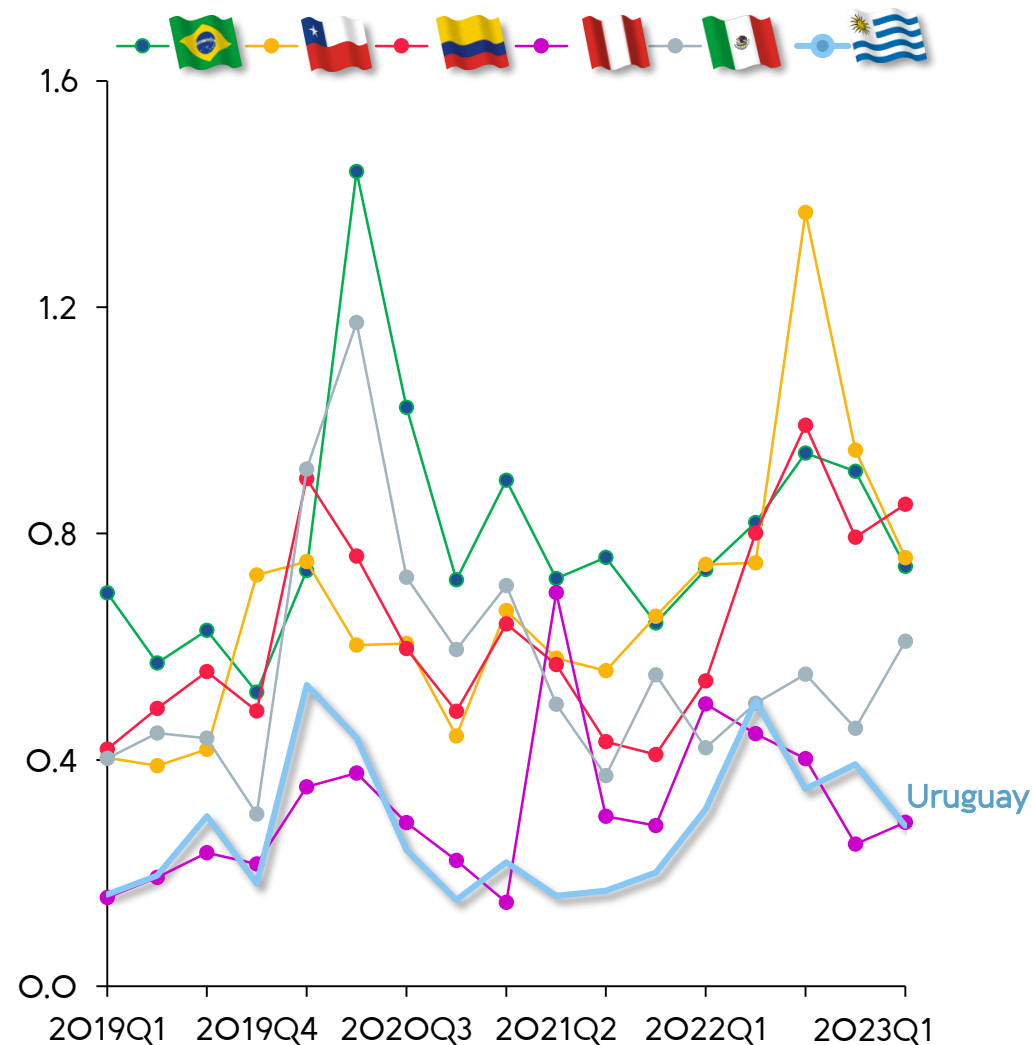
Currency performance vs USD, during 2023 ⁽¹⁾

(Dollars per domestic currency; YTD as of June 15th, in %)



Nominal exchange volatility in LatAm ⁽²⁾

(Quarterly average of absolute value of daily percent changes)



(1) Source: Bloomberg.

(2) Source: ECLAC, based on Bloomberg.

Stable current account; banking sector with low exposure to the region

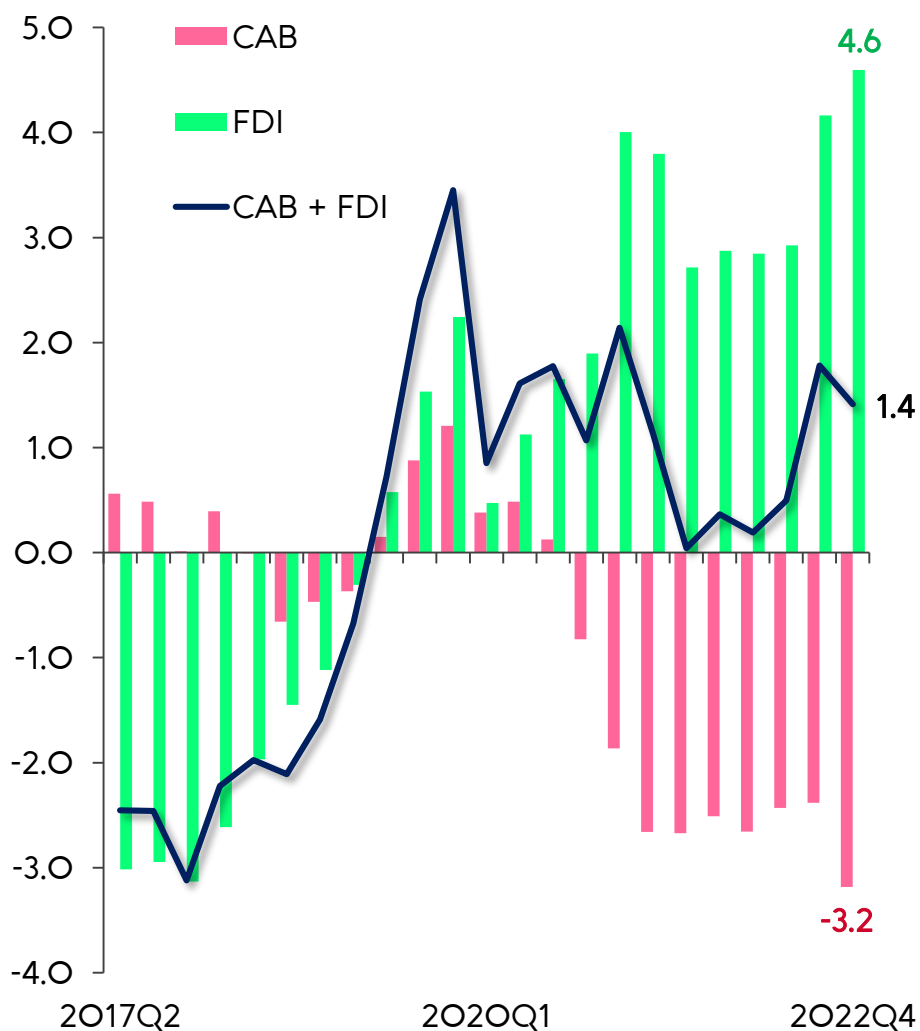


Current account deficit fully financed by FDI, on the back of a resilient balance of goods and services...



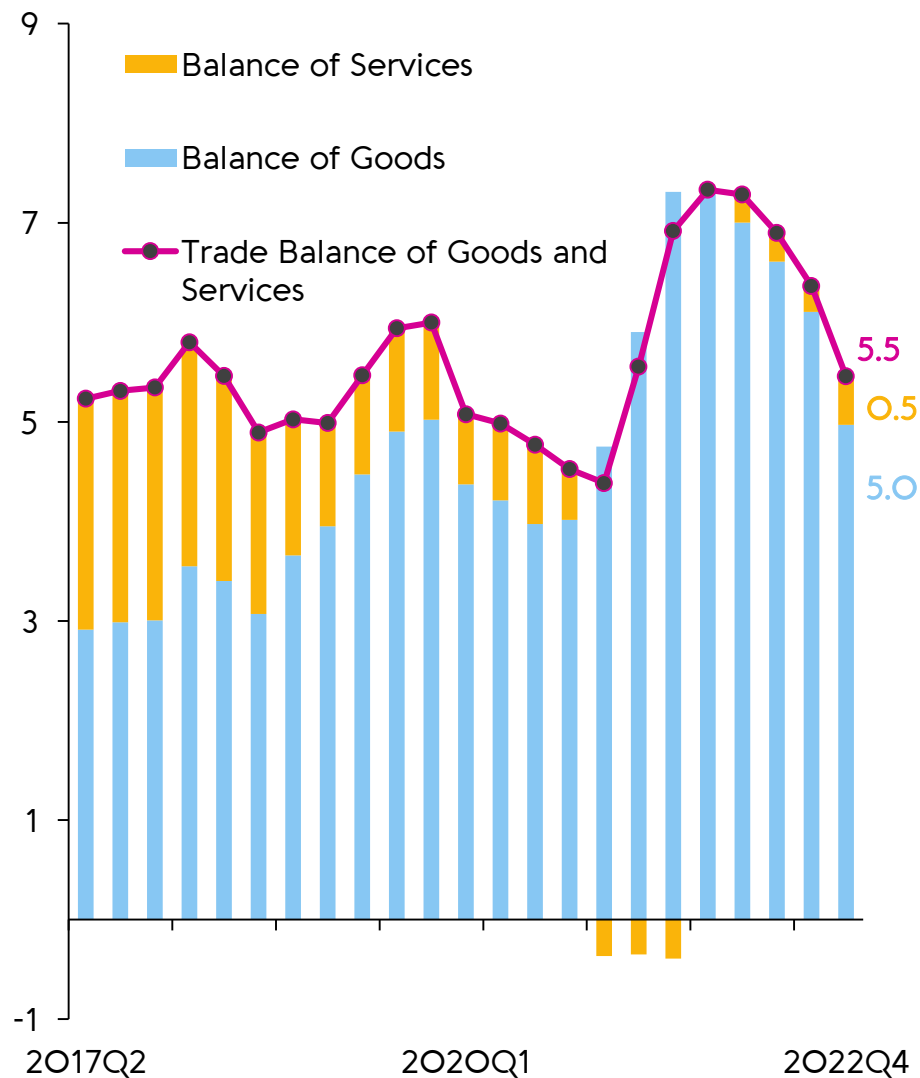
Current account balance and FDI

(Rolling 4-quarters, in % of GDP)



Goods and services balances

(Rolling 4-quarters, in % of GDP)

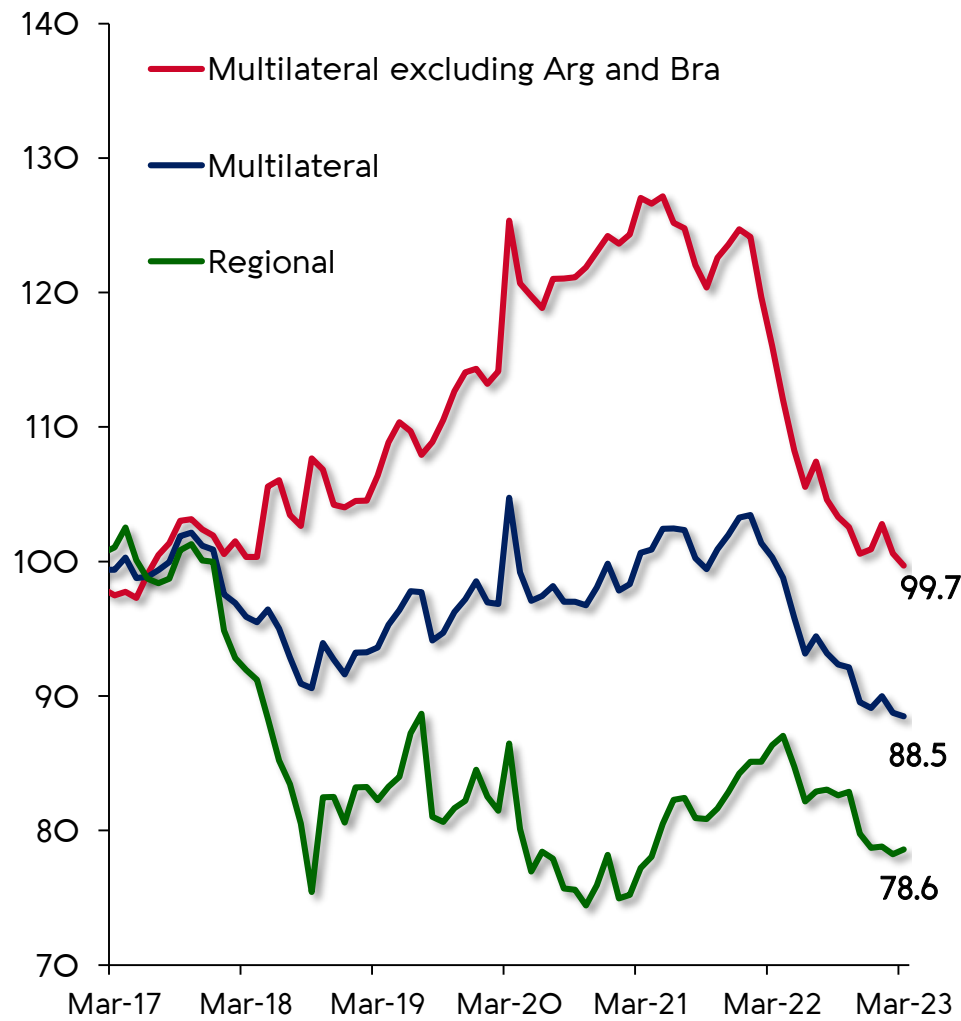


... despite real exchange rate appreciation; large international reserve buffers are a significant external backstop.



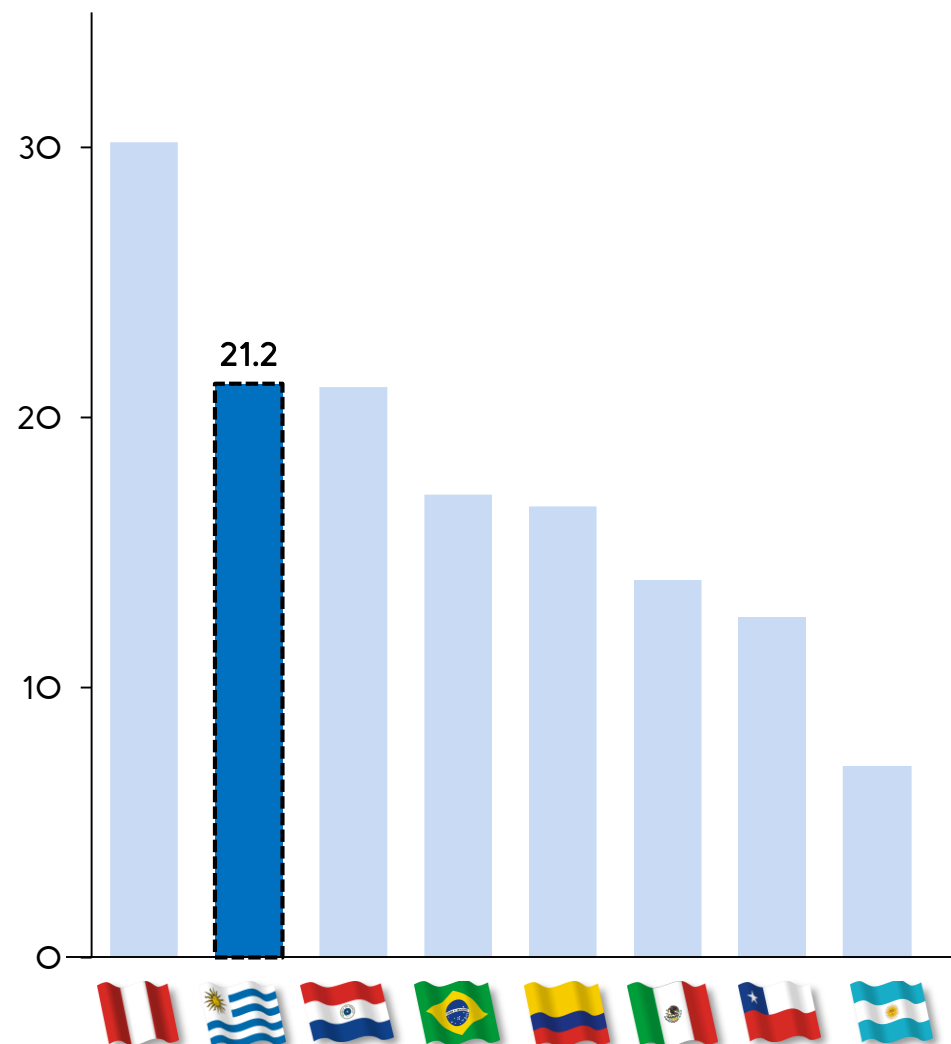
Real Effective Exchange Rate of Uruguay ⁽¹⁾

(Index base 100 = average 2017)



International reserves in Latam ⁽²⁾

(As of end 2022, in % of GDP)*



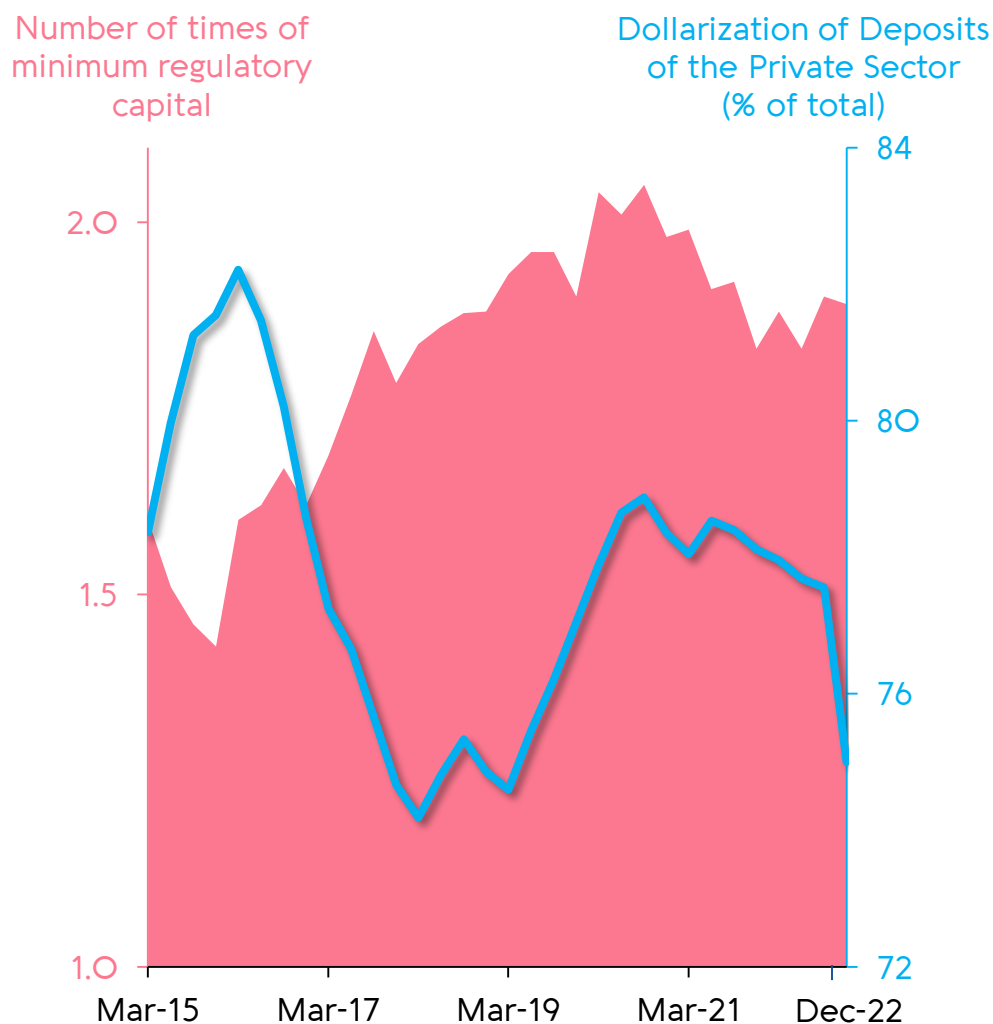
(1) Source: Central Bank of Uruguay.

(2) Source: International Monetary Fund. (*) Projected GDP

Banking sector remains well-capitalized, with high liquidity levels and low exposure to the region, yet with still-high financial dollarization.



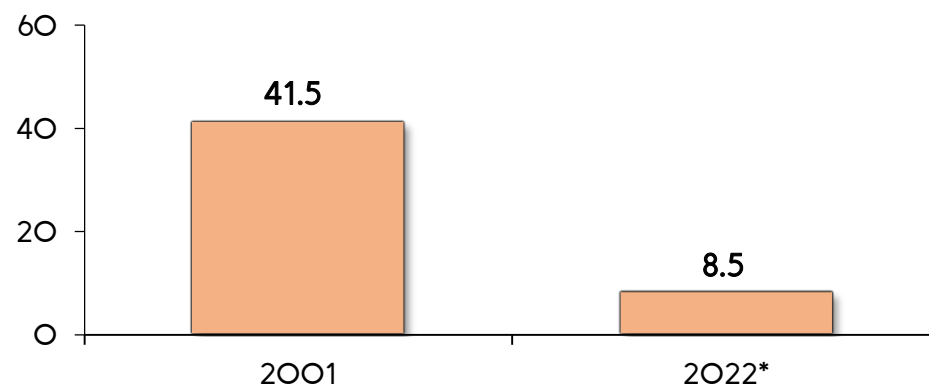
Solvency and dollarization of the banking system



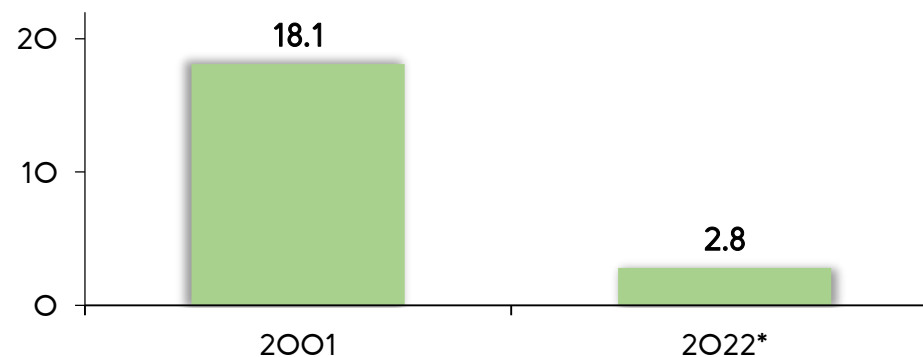
Banking system's exposure to non-residents

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

Deposits



Loans



(1) End-period; data for deposits includes only private non-financial sector.

(*) As of December 2022.

Government-led structural reforms



Government forges ahead with structural and market-friendly reforms: “keeping the high-beam headlights on”.



**Urgent Consideration
(UC) Law⁽¹⁾**



**2020-2024
Budget Law**



**2021
Budget Review**



**Social Security
Reform**



Approved on July 9th,
2020

- 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.

Approved on
December 18th, 2020

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

Approved on
November 3rd, 2022

- 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

April 28th, 2023,
Congress passed the
social security reform

- Parametric changes to all schemes.
- Established a common system for all the schemes that exist in the country.
- Creation of an independent regulatory agency that oversees the entire regime.
- Mechanisms to encourage voluntary savings.



Focusing on long term fiscal sustainability and improving equity of pension system



Social security reform



- ❑ The approved reform gradually increases the retirement age to 65 years.
- ❑ The minimum amount of worked years to retire stands at 30, although contributing for 35 or 38 years will result in early retirement at 64 or 63, respectively.
- ❑ The calculation for pensions will include the best 20 years of income.
- ❑ The reform plans to consolidate all retirement regimes making them **converge in a single system**. Ten years after the approval (2033) the convergence will start, with the old pension system rules weighing 50% and the new one 50%.
- ❑ The new system will gradually replace the old one, and the influence of the systems will be modified by 5% each year. So, **the new system will fully take effect by 2043**.
- ❑ Increases benefits for vulnerable groups improving the **equity** of the system
- ❑ Allows current retirees to participate in the labor market and contribute to the pension system, **alleviating fiscal pressures and expanding labor supply**.

Strong ESG foundations

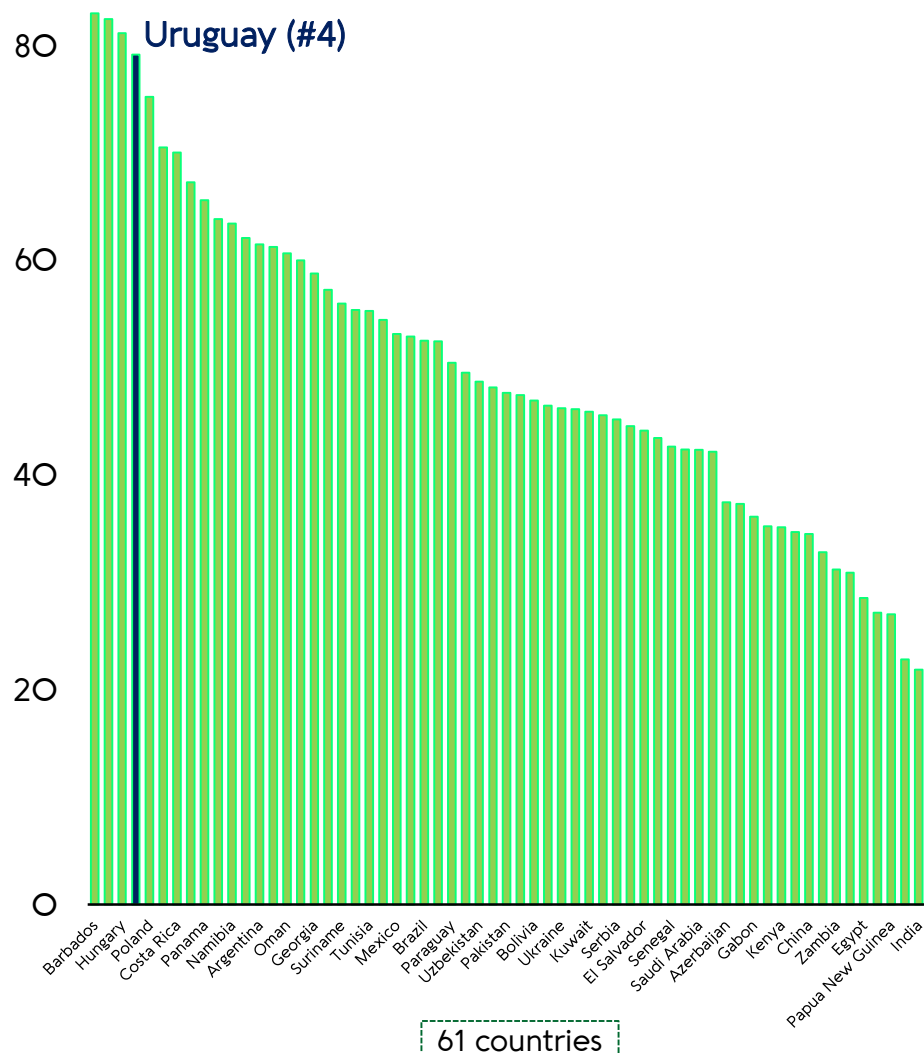


Uruguay is among the top global performers on ESG fundamentals.



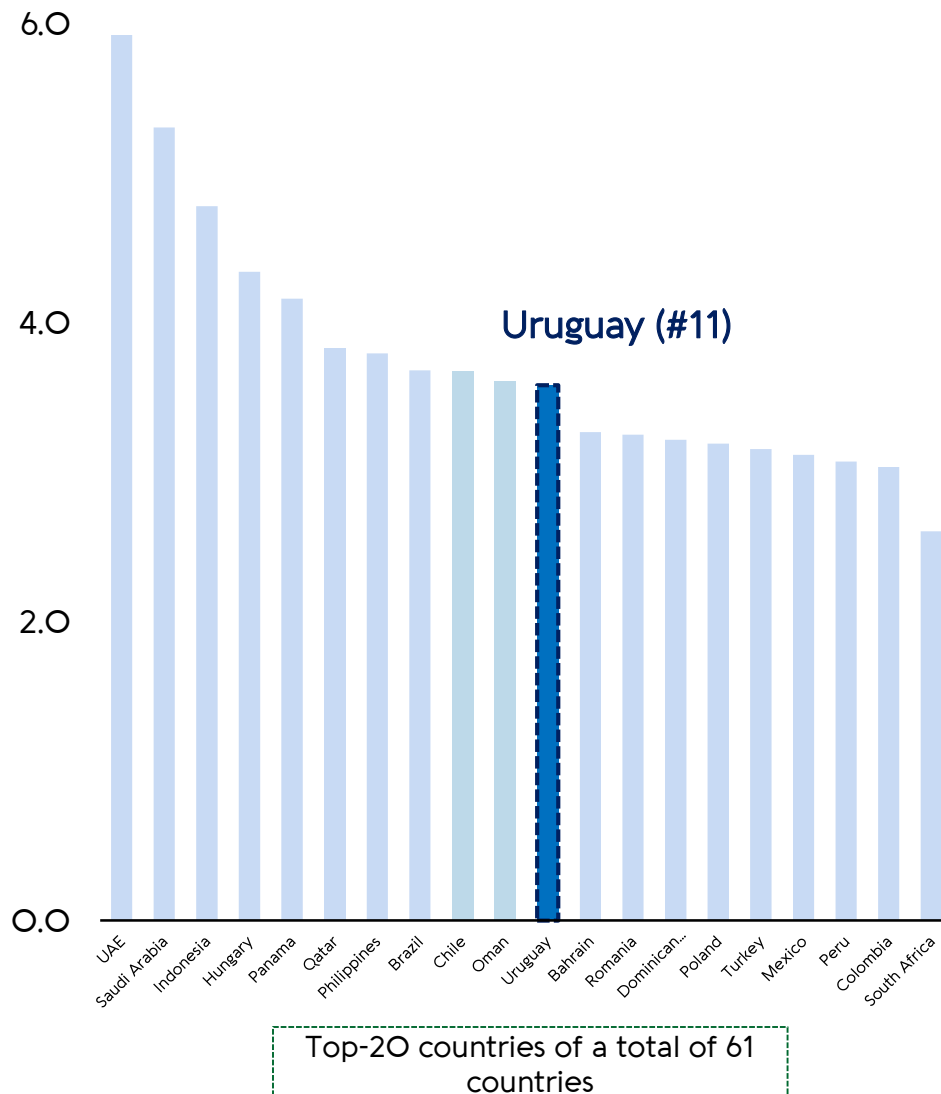
Emerging markets' ESG Score

(Index, 100 = best performance; as of end-May, 2023)



Market cap in ESG-Adjusted EMBI (JESG EMBI)

(In % of total, as of end-May, 2023)



Source: J.P. Morgan Chase & Co. using data from RepRisk, Sustainalytics and Climate Bonds Initiative.

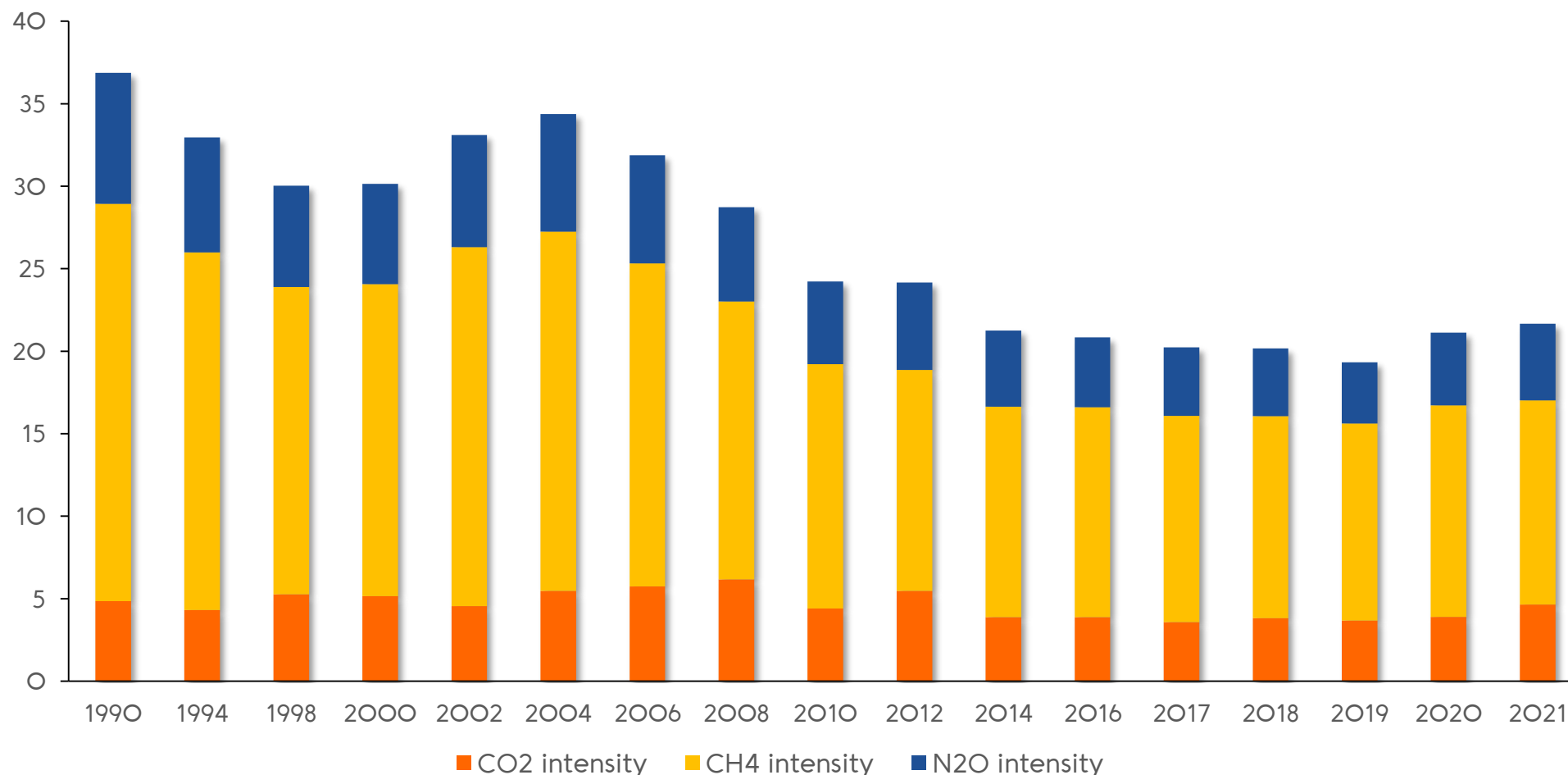
Disclaimer: "Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2021, J.P. Morgan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

The country is committed to continuing with the decarbonization of economic activity...



Evolution of Uruguay's Intensity of Gross Greenhouse Gas Emissions^(*)

As a share of real GDP, by type of gas

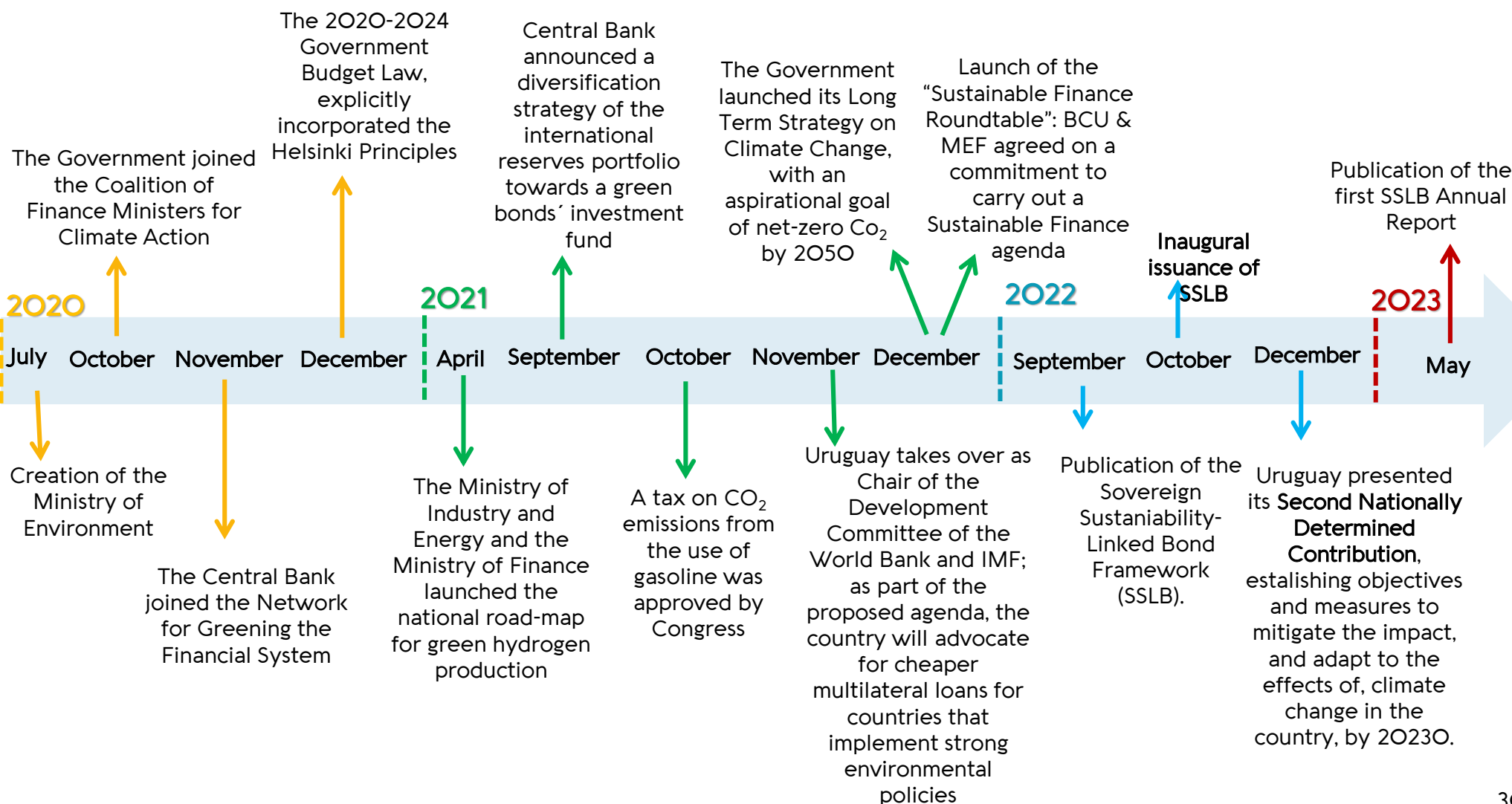


^(*) Considers the main sectors contributing emissions of each GHG, as set out in the 2017 NDC. Expressed in Gg CO₂ Metric GWP100 AR5. Real GDP measured in billions of pesos in 2016 constant prices. For the period 1990-2019, data is for years with official NGHGI publication and data for 2020 and 2021 was estimated for the SSLB Annual Report. Source: SSLB Open Database as of April 2023.



...and the Government is moving forward with climate action policies and sustainable financing.

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.

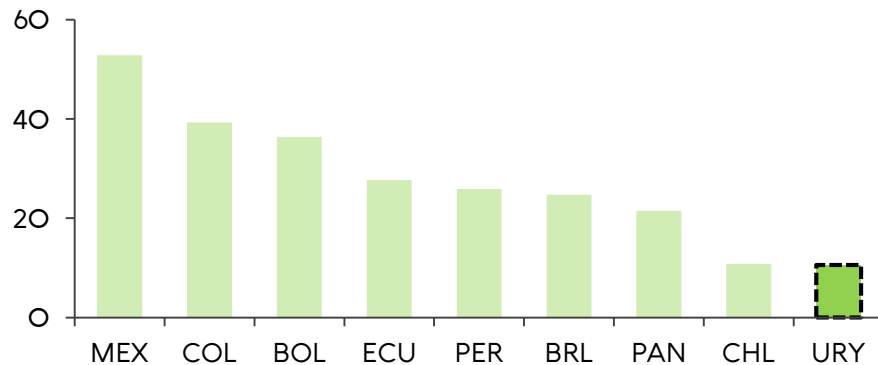


Uruguay has a relatively low poverty rate and gender inequality, and the highest share of middle class people in LatAm.


ESG

Poverty compared to LatAm ⁽¹⁾

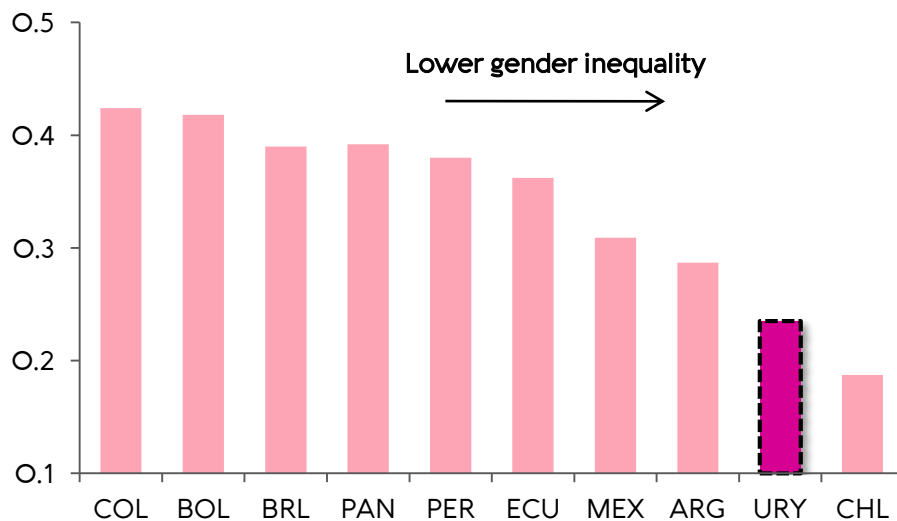
(In % of total population, year 2021)*



(*) Except for Brazil (2019), Panama (2019), Mexico (2020) and Chile (2020). Argentina is not included because the poverty rate is only calculated for urban areas.

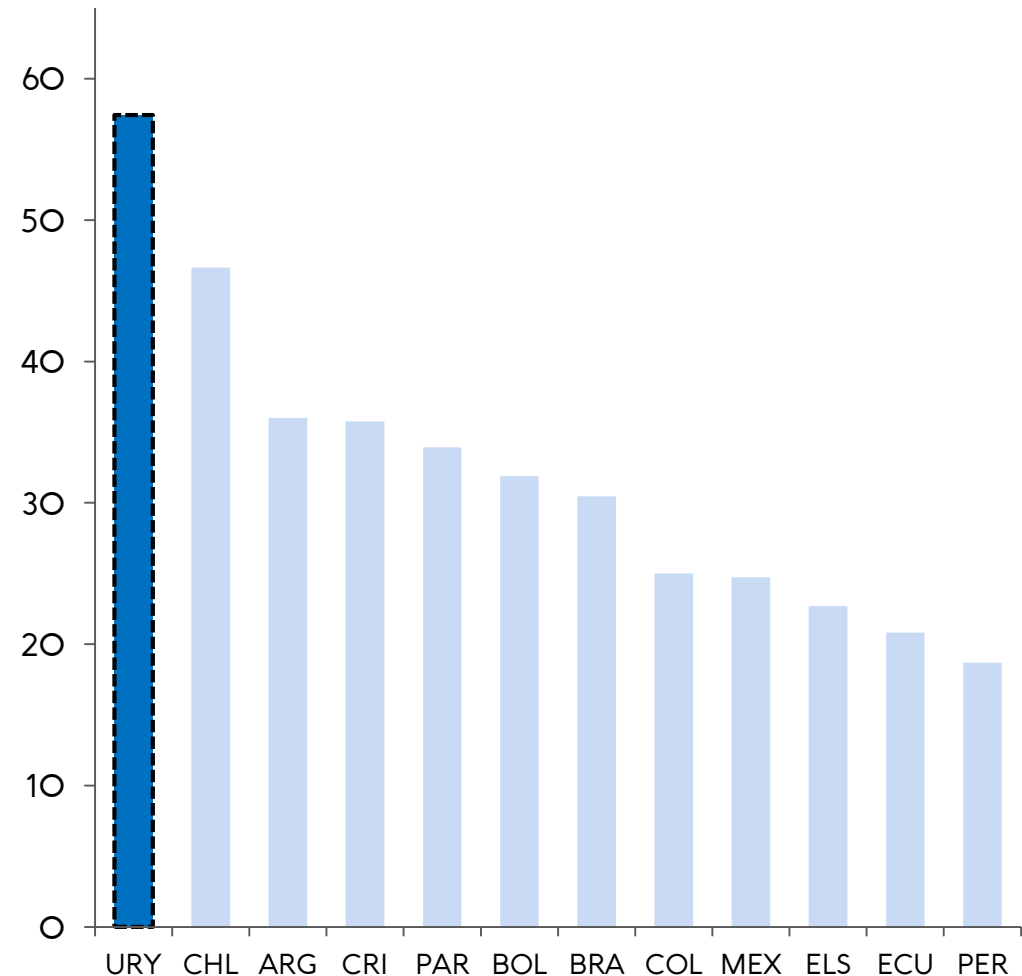
Gender inequality compared to LatAm ⁽²⁾

(Inequality Index, 2021)



Share of middle class compared to LatAm ⁽³⁾

(Year 2020, in % of total population)*



1) Source: ECLAC

2) Source: United Nations Development Program (UNDP), Human Development Reports 2020; Gender Inequality Index is a composite measure reflecting inequality in achievement between women and men in three dimensions: reproductive health, empowerment and the labour market.

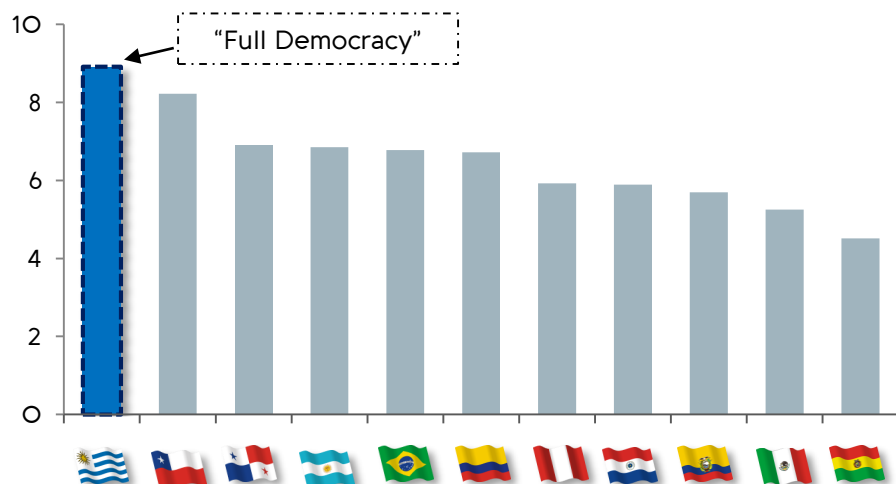
3) Source: Inter-American Development Bank; Middle class defined as percentage of population that lives in households with per capita income between USD 12,4 and USD 62 a day.

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



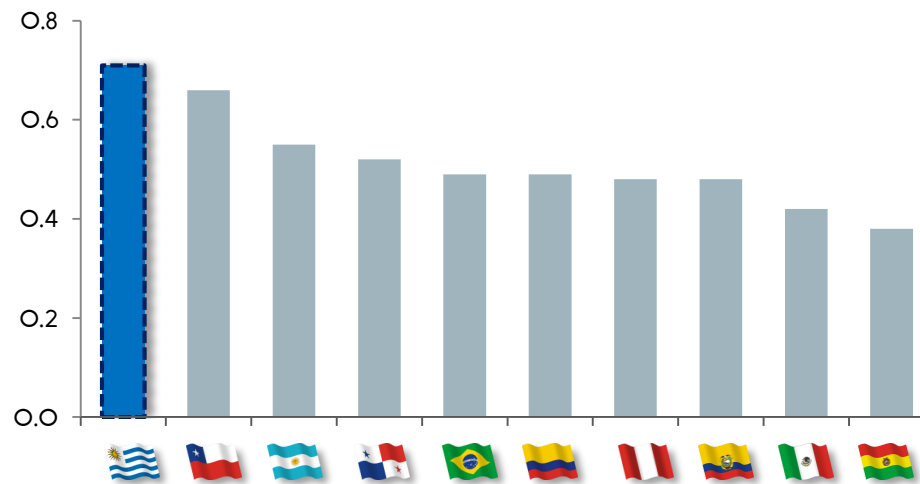
Democracy index ⁽¹⁾

(Score from 1 to 10, year 2022)



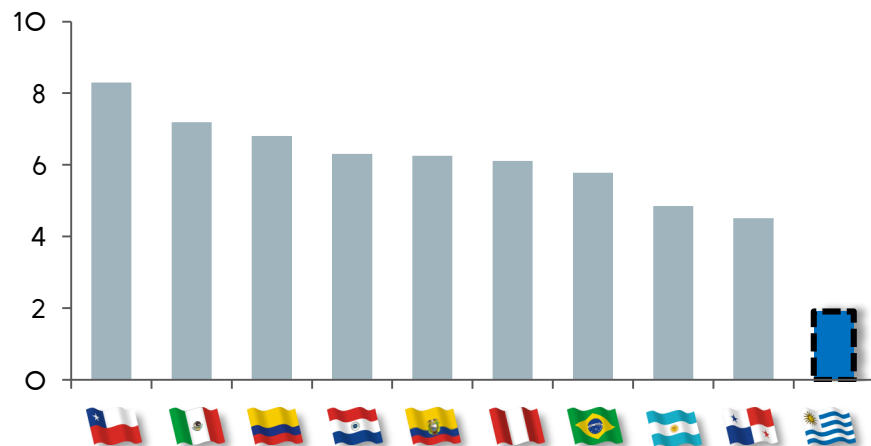
Adherence to the Rule of Law ⁽²⁾

(Numerical score out of 1, year 2022)



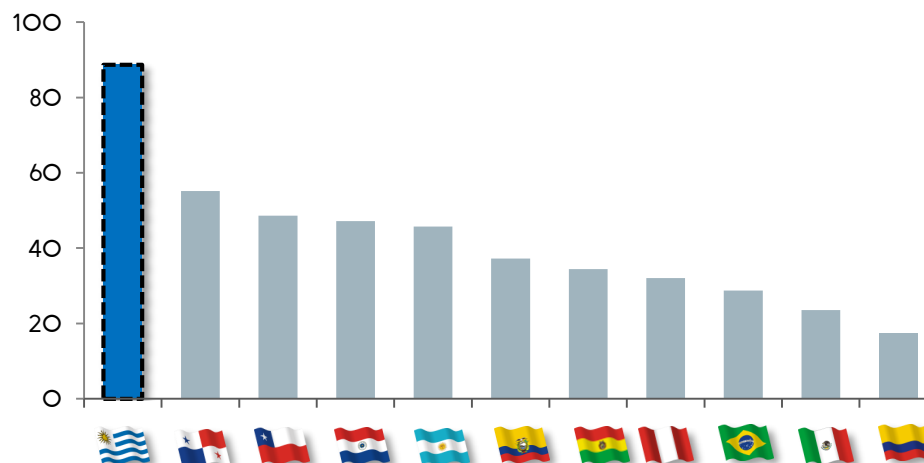
Civil Unrest ⁽³⁾

(Index out of 10, first quarter of 2020)



Political Stability and Absence of Violence/Terrorism ⁽⁴⁾

(Percentile rank, 2021)



(1) Source: The Economist Intelligence Unit (2023).

(2) Source: World Justice Project (2022).

(3) Source: Verisk Maplecroft (2020).

(4) Source: Worldwide Governance Indicators, World Bank (2021).

Uruguay had the lowest Corruption Perception in 2022 along with Canada, well below the region's average.



CORRUPTION PERCEPTIONS INDEX 2022

With a Score of **74**, Uruguay has significantly **lower** perceived corruption that average of the main regions of the world

WESTERN EUROPE
& EUROPEAN UNION

66/100

AVERAGE SCORE

AMERICAS

43/100

AVERAGE SCORE

ASIA PACIFIC

45/100

AVERAGE SCORE

ARAB STATES

33/100

AVERAGE SCORE



SCORE COUNTRY/TERRITORY

74	Canada
74	Uruguay
69	United States of America
67	Chile
65	Barbados
64	Bahamas
60	Saint Vincent and the Grenadines
55	Dominica
55	Saint Lucia
54	Costa Rica
52	Grenada
45	Cuba
44	Jamaica
42	Trinidad and Tobago
40	Guyana

40	Suriname
39	Colombia
38	Argentina
38	Brazil
36	Ecuador
36	Panama
36	Peru
33	El Salvador
32	Dominican Republic
31	Bolivia
31	Mexico
28	Paraguay
24	Guatemala
23	Honduras
19	Nicaragua
17	Haiti
14	Venezuela

#cpi2022

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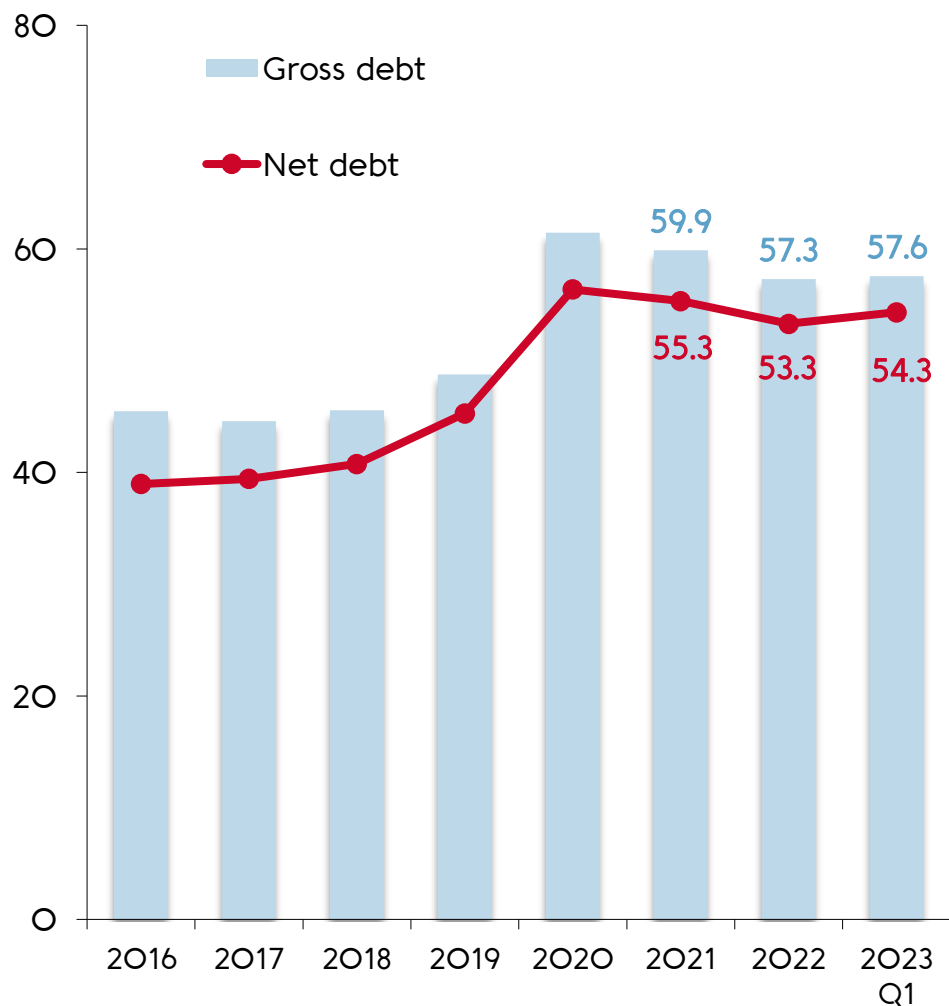
Resilient debt structure and sustainable financing strategies



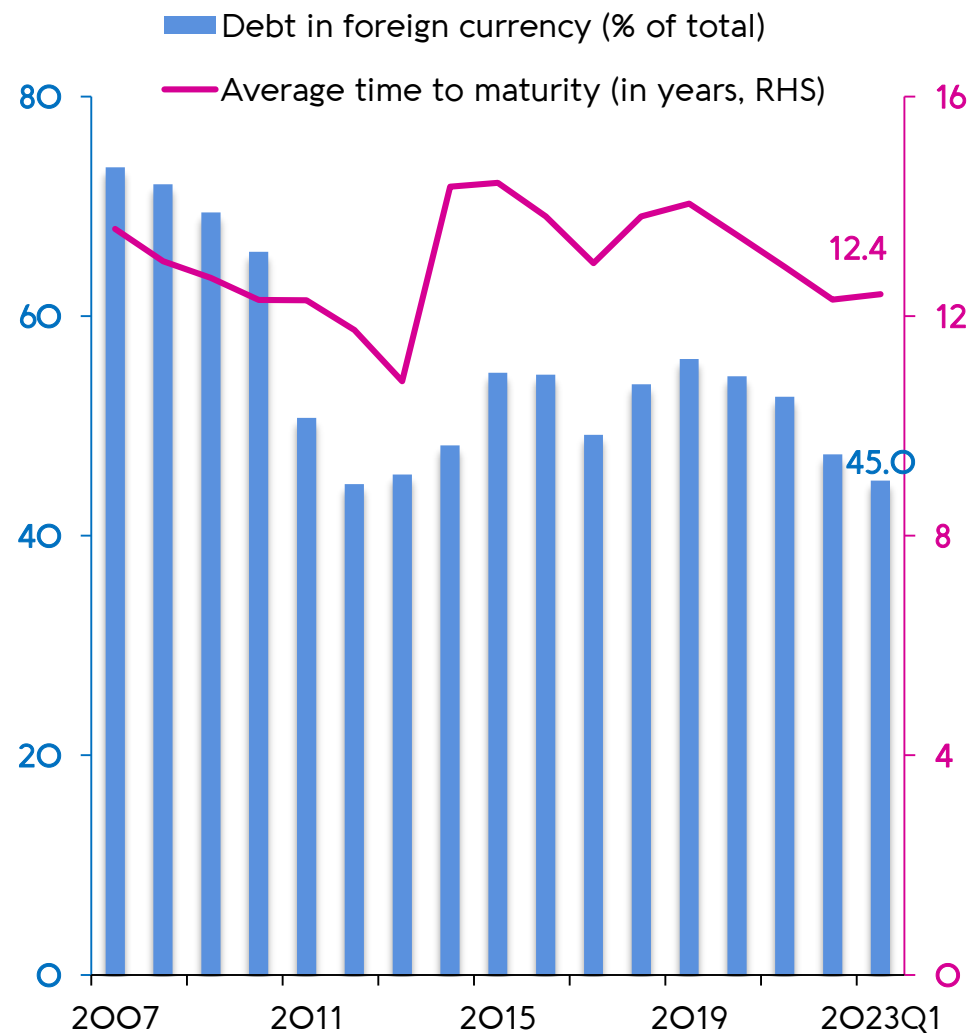
Government debt-to-GDP ratio set into a downward path since the pandemic shock, while debt management strategies and relative price effects have significantly reduced dollarization of debt.



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)



Central Government's funding needs and financing sources for 2023



Flow of funds

(Annual, in USD million)

	2022 (*)	2023 (*)
FINANCING NEEDS	5,140	4,263
Primary Deficit ⁽¹⁾	722	210
Interest Payments ⁽²⁾	1,667	1,771
Amortizations of Bonds and Loans ⁽³⁾	2,604	2,256
Change in Financial Assets	147	26
FUNDING SOURCES	5,140	4,263
Disbursements from Multilaterals and Fin. Instit.	571	396
Total Issuance of Market Debt ^{4/}	3,992	3,825
Others (net) ^{5/}	576	42
Memo Item : Government Net Indebtedness (GNI)	1,812	1,939

(*) Preliminary, to be updated at the time of the draft bill of the Annual Budget Law, to be submitted to Congress on June 30th, 2023. 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 2023, includes the obligations coming due on a contractual basis and bonds repurchased and early redeemed.

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

(5) Captures other financial sources of cash inflows for the Treasury, as well as financing operations that do not impact gross debt statistics.

Source: Ministry of Economy and Finance of Uruguay.

Cornerstones of debt management strategy and sustainable financing in 2023



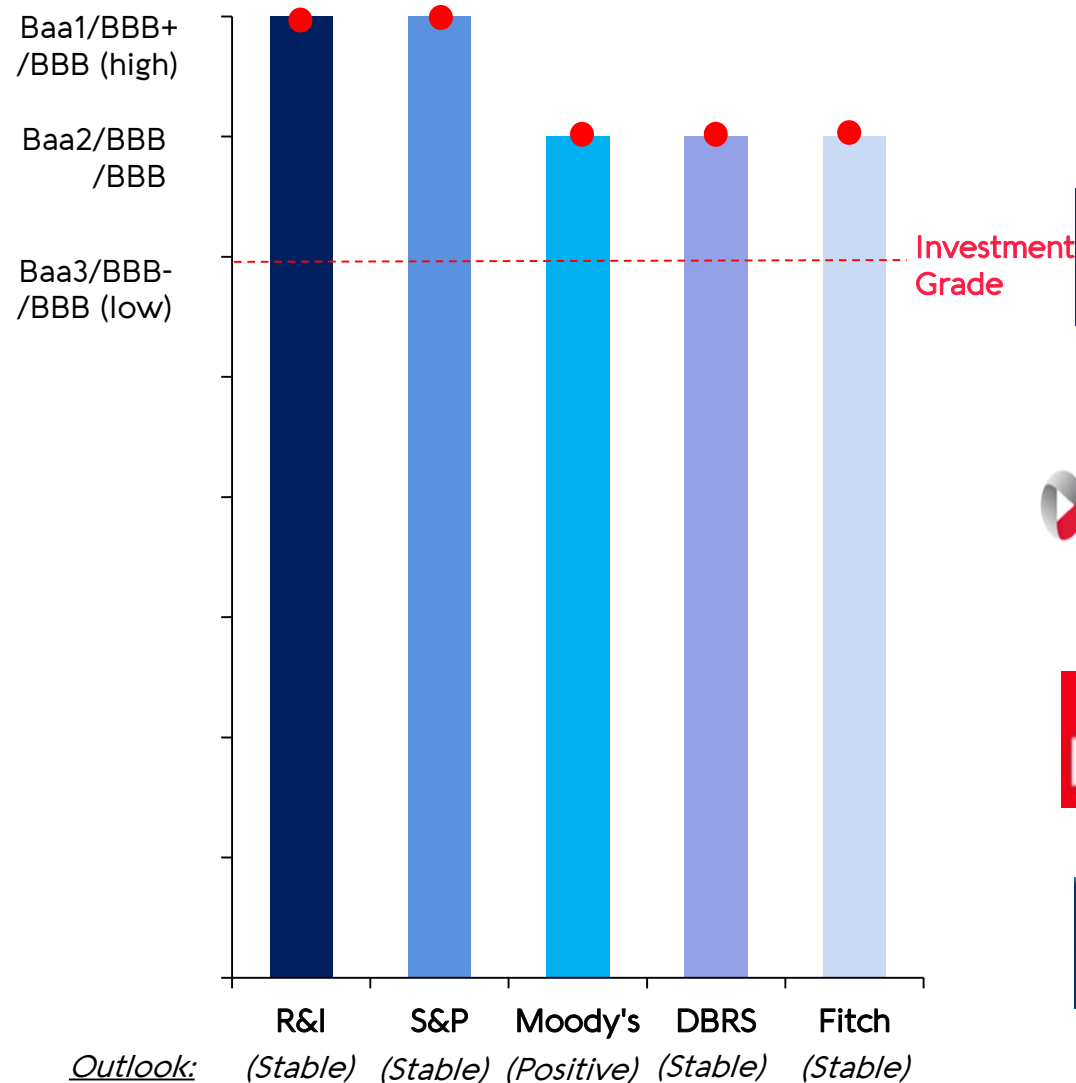
- Increase local currency funding in domestic and international markets at fiscally-sustainable rates, while developing secondary markets (liquidity, depth, and points in the curve).
- Keep refinancing risk contained through LM operations, precautionary liquidity buffers and contingent credit lines.
- Diversify sources of funding and continue broadening the investor base, particularly ESG-focused accounts.
- Align sovereign funding strategies (in bond market issuance and multilateral loans) with achieving ambitious environmental targets to address climate change and nature conservation.

In June 2023, Fitch raised Uruguay's credit rating to "BBB"; all five rating agencies now place Uruguay at least one notch above the investment grade threshold, for the first time on record.



Uruguay's sovereign credit ratings ⁽¹⁾

(As of June 16th, 2023)



Latest credit rating actions



On June 7, 2023, **Fitch raised** the long-term foreign and local currency sovereign credit ratings on Uruguay to 'BBB' from 'BBB-'. The outlook is **stable**.



On May 17, 2023, **Moody's Investor Service affirmed** Uruguay's long-term foreign and local currency sovereign credit ratings at Baa2 and **upgraded the outlook** from stable to **positive**.



On April 26, 2023, **S&P Global Ratings raised** the long-term foreign and local currency sovereign credit ratings on Uruguay to 'BBB+' from 'BBB'. The outlook is **stable**.



On November 22, 2022, **DBRS-Morningstar upgraded** Uruguay's Long-Term Foreign and Local Currency-Issuer Ratings to **BBB**. The outlook is **stable**.



On October 21, 2022, R&I **upgraded** the Foreign Currency Issuer Rating to **BBB+**. The outlook is **stable**.

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

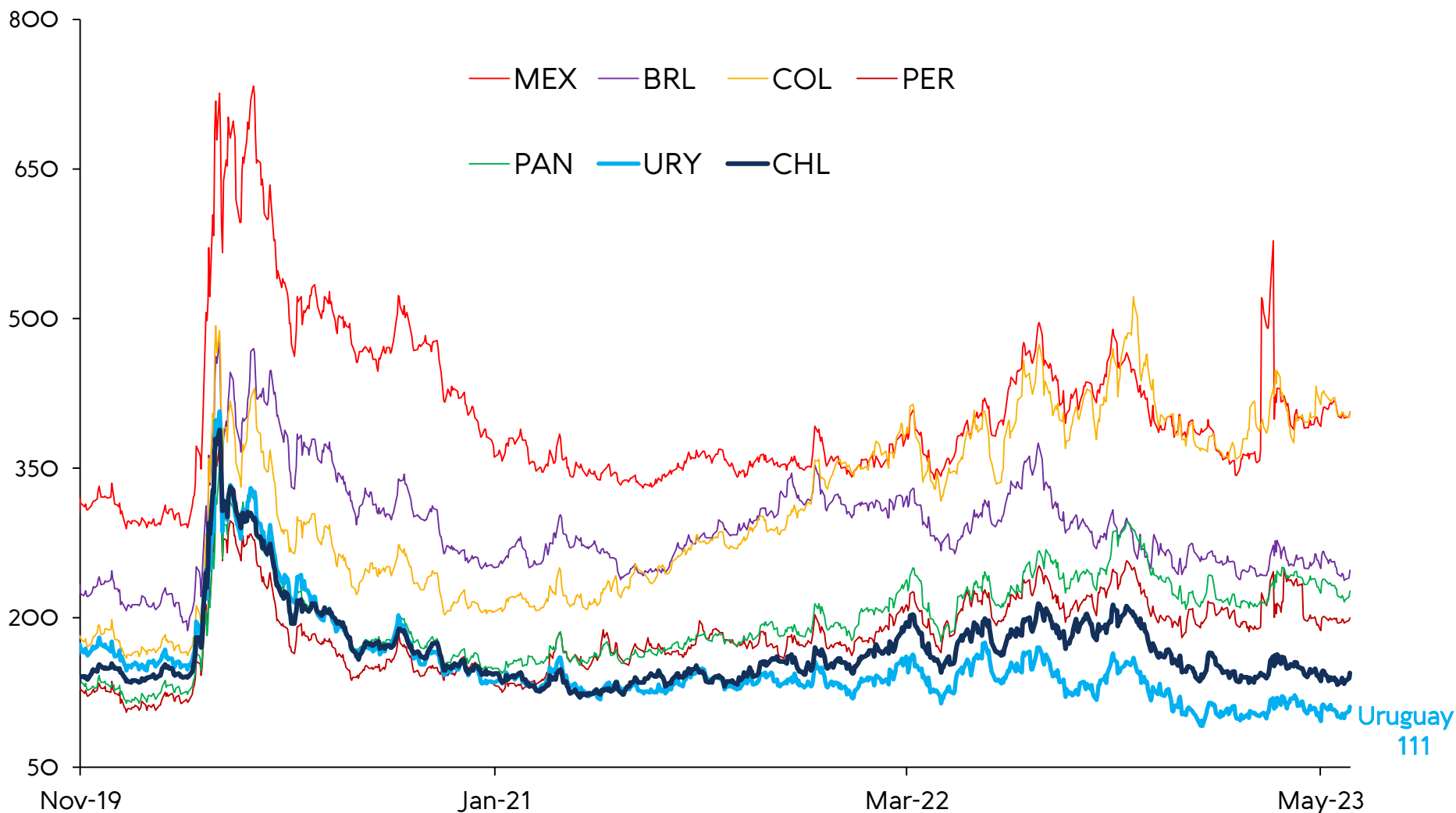
(1) Source: Moody's, S&P, R&I, DBRS-Morningstar and Fitch.

Uruguay has the lower EMBI in Latin America and, by end-2022, reached its lowest level on record.



Sovereign risk premia ⁽²⁾

(EMBI spread, in bps. As of 31st May, 2023)







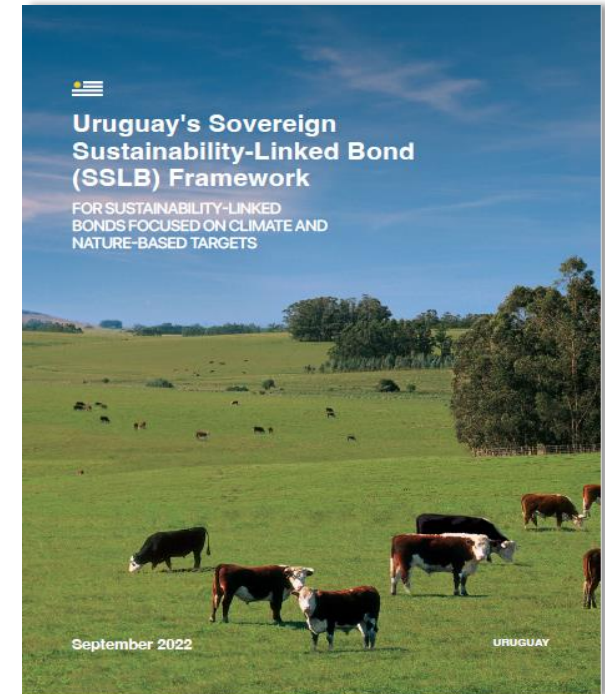
**República Oriental
del Uruguay**

THANK YOU

ANNEX: In October 2022, Uruguay issued a Sustainability-Linked Sovereign Bond (SSLB) tied to climate and nature conservation indicators



- The issuance was underpinned by the SSLB Framework published on September 20th, 2022, and developed a specific webpage with all the information related to this project (<http://sslburuguay.mef.gub.uy/>).
- The Bond embeds two complementary Key Performance Indicators (KPIs) tied to climate change mitigation and nature conservation goals:
 -  reducing the intensity of Greenhouse Gas emissions
 -  preserving the area of native forests
- The Sustainability Performance Targets (SPTs) are based on quantitative goals set for 2025 and are in line with Uruguay's Nationally Determined Contribution (NDC) under the Paris Agreement.



The project benefited from technical assistance from the Interamerican Development Bank (IADB) and the United Nations Development Program (UNDP).

The SSLB Bond pioneered an alternative approach for sustainability-linked debt financing



- Uruguay implemented an innovative financing mechanism that linked the country's cost of capital to its delivery of ambitious climate and nature goals.
- Introduced an interest rate structure for SSLBs that features a potential coupon adjustment (increase, constant or decrease), depending on whether the country fails to meet, delivers, or overperforms on its SPTs, respectively.
- 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.

Summary of Key Innovations in Uruguay's SSLB Framework



Whole Economy Sustainability-Linked Bonds

- ✓ By integrating “whole economy” Paris-aligned commitments into a national financial strategy, Uruguay will introduce a class of financial instruments that can enable Uruguay, and other State Actors, to achieve our shared climate change objectives

Mainstream NDC Commitments

- ✓ Create benchmarks for Sovereign GHG emission intensity reduction and Native Forest Area maintenance goals
- ✓ Help strengthen the credibility in the NDC system
- ✓ Pave way for KPI standardization in order to scale up sustainable finance instruments for sovereigns

Robust inter-ministerial coordination

- ✓ The responsibilities and accountability across participants of the task force were agreed upon and laid out in a Memorandum of Understanding
- ✓ The work of the task force is backed by an executive decree executed by all Five Ministries involved in the work related to SSLBs



Financing mechanism that is incentive-compatible

- ✓ Uruguay seeks to explicitly link its cost of capital to the achievement of the country's forward-looking environmental targets under the Paris Agreement
- ✓ The proposed two-way pricing structure will penalize Uruguay if it does not deliver on its NDC goals (SPT 1.1 & SPT 2.1) and will reward the country if it over performs on its ambitious NDC targets (SPT 1.2 & SPT 2.2).

Reporting

- ✓ Uruguay is the only non-Annex I country that reports GHG emissions on the **annual frequency** and with a shorter time lag, on par with industrialized countries
- ✓ Uruguay's efforts to shorten data “lags” and external verification period for GHG emissions to approximately 17 months

External Verification

- ✓ United Nations Development Program (“UNDP”) provides accelerated independent external review of both KPIs throughout the life of the bond