República Oriental del Uruguay

Institutional Investor Presentation

November 2023

Ministerio de Economía y Finanzas

Photo credit: Uruguay XXI.

Key Credit Highlights

1. After growing strongly in 2022, economic activity is poised to slowdown in 2023, impacted by a severe drought and lower regional and global demand.

2. Steady improvement of public finances in 2020, 2021, and 2022, delivering on fiscal targets; widening of fiscal deficit during 2023, driven by cyclically softer tax revenues and the effects of the drought.

3. In the context of a significant deceleration of inflation within the target band, Central Bank gradually started reducing short-term policy rate, while holding a contractionary monetary policy stance.

4. Current account deficit is more than financed by FDI, amid real exchange rate appreciation and large international reserve buffers.

5. The government forges ahead with structural and fiscally conservative reforms, including the recent social security reform law passed by Congress.

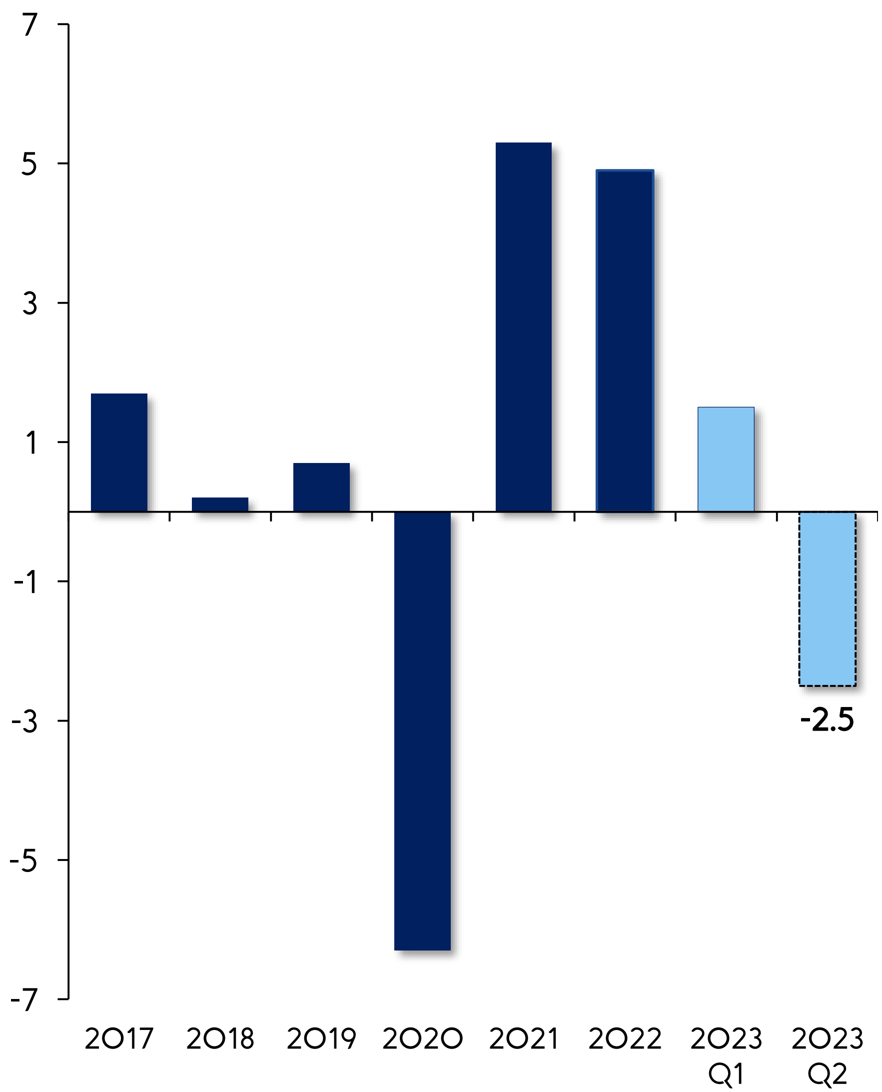
6. Strengthening in the Government's balance sheet, through a reduction in the sovereign's debt and interest burdens and continued improvements in the currency and debt structure.

7. Uruguay is the top performer on ESG fundamentals among EM countries; string of recent rating upgrades and improvements in credit outlook by all five rating agencies, reflecting strong fundamentals and relatively low country risk.

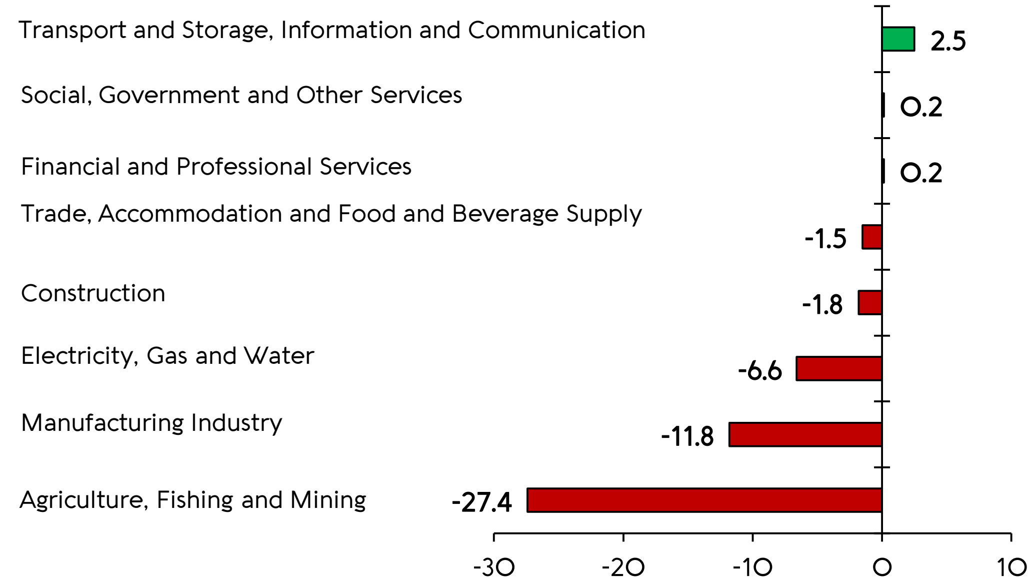
1

Economic activity expanded strongly in 2022, although real GDP growth has since decelerated during 2023; agriculture and industry sectors affected by the severe drought and external demand.

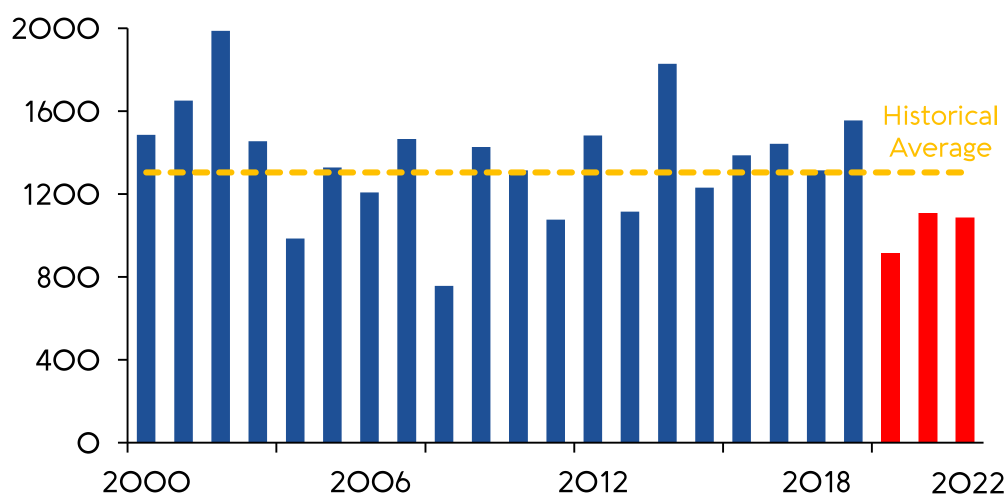
Annual real GDP change (1)
(YoY, In %)



Real GDP change breakdown by sector for 2023Q2, production approach (1) (YoY, in %)



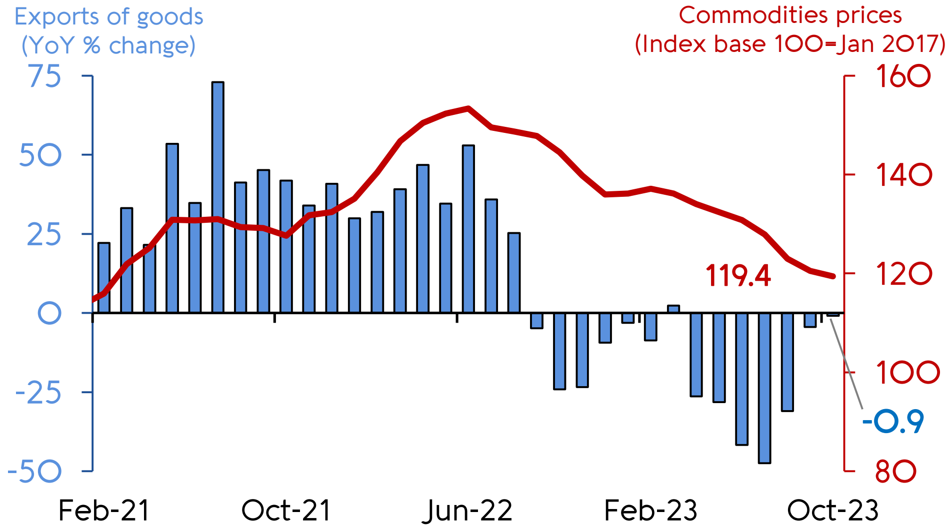
Uruguay´s Average Annual Rainfall (3)
(Annual country average accumulated rainfall in mm)



(1) *Source: Central Bank of Uruguay.*
(2) *Source: Uruguayan Institute of Meteorology.*

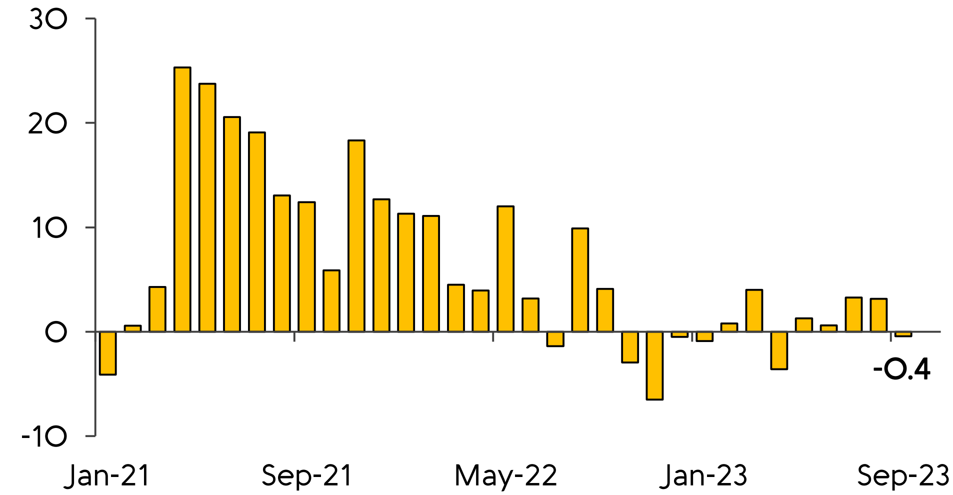
Leading indicators anticipate slower economic growth in 2023 compared to the previous estimate made at the beginning of the year, weighed down by a severe drought and lower regional and global demand.

Exports of goods and commodities prices (1)



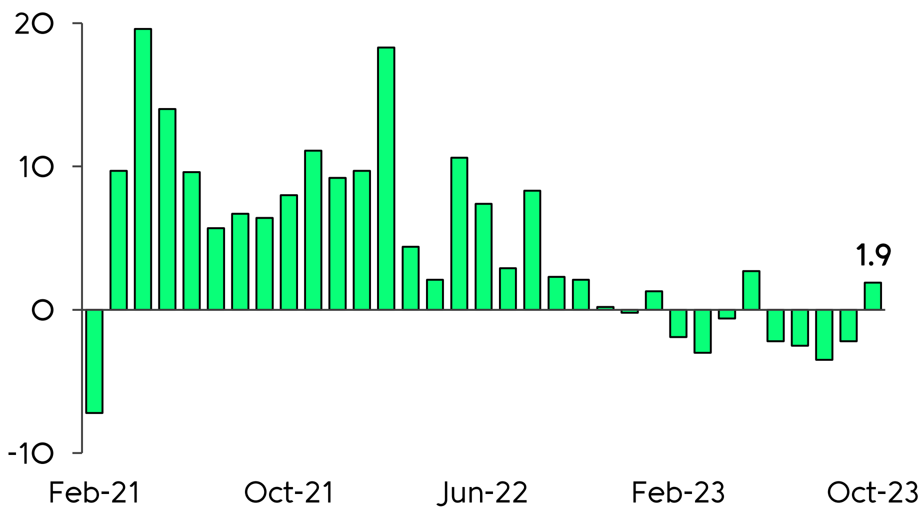
Industrial Production (2)

(YoY real change, in %)



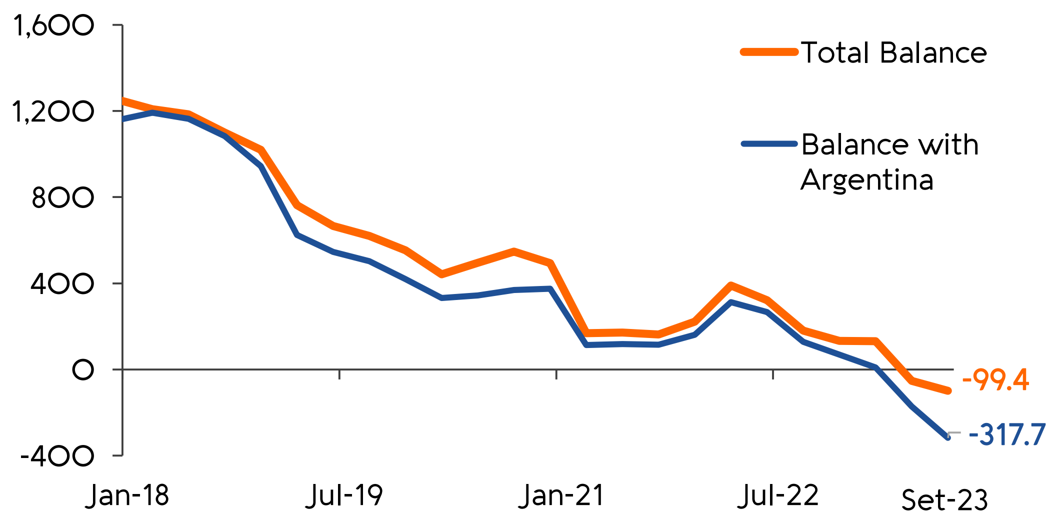
Tax revenue collection (3)

(YoY real change, in %)



Net Tourism Balance(4)

(Rolling 4-quarters, in millions of dollars)



(1) Source: BCU and CPA Ferrere, based on Bloomberg and of Meat of Uruguay (INAC). Exports of goods are expressed in millions of dollars and calculations are carried out by the Ministry of Economy and Finance. The commodities prices index is a weighted average of soybeans, meat, rice, dairy products, and pulp export prices.

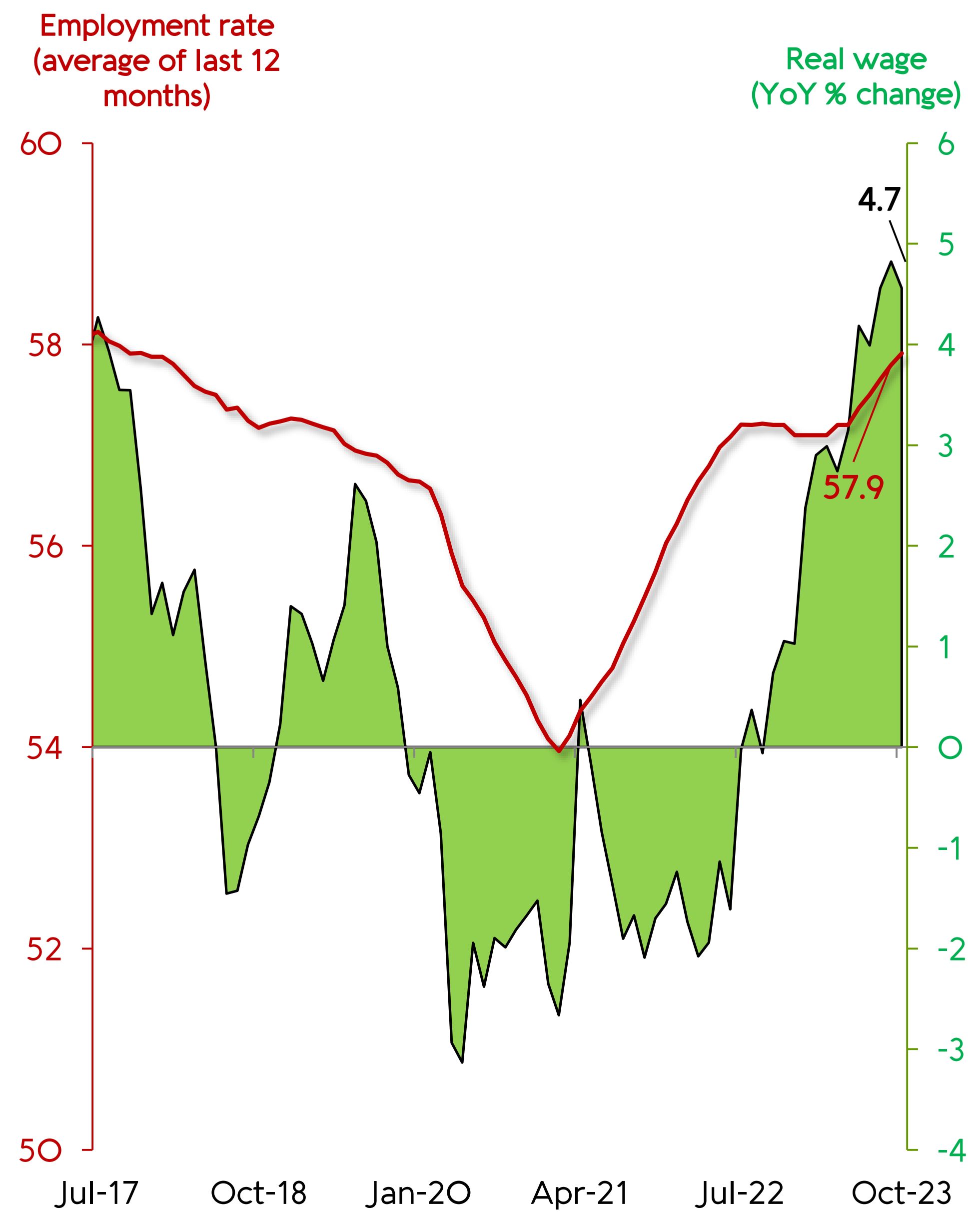
(2) Source: Ministry of Economy and Finance calculations based on data from the National Institute of Statistics. Data does not include production from the state-owned refinery.

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

(4) Source: Ministry of Tourism. Information for 2020 and 2021 are estimates by the Ministry of Economy and Finance, based on migration data. Net Tourism Balance is defined as the difference between inbound and outbound tourism expenditure

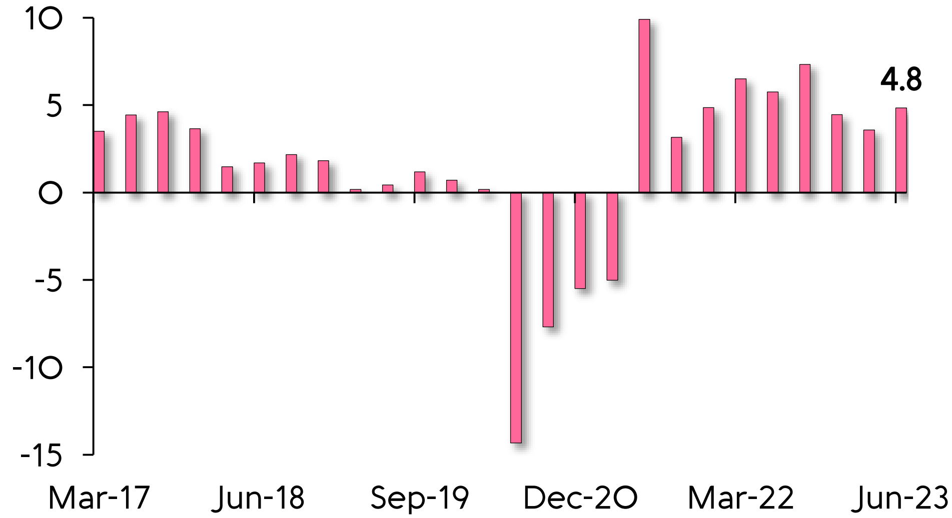
Strong labor market indicators reflected in an upturn in real wage growth, boosting consumer confidence and private consumption.

Employment and real wages (1)



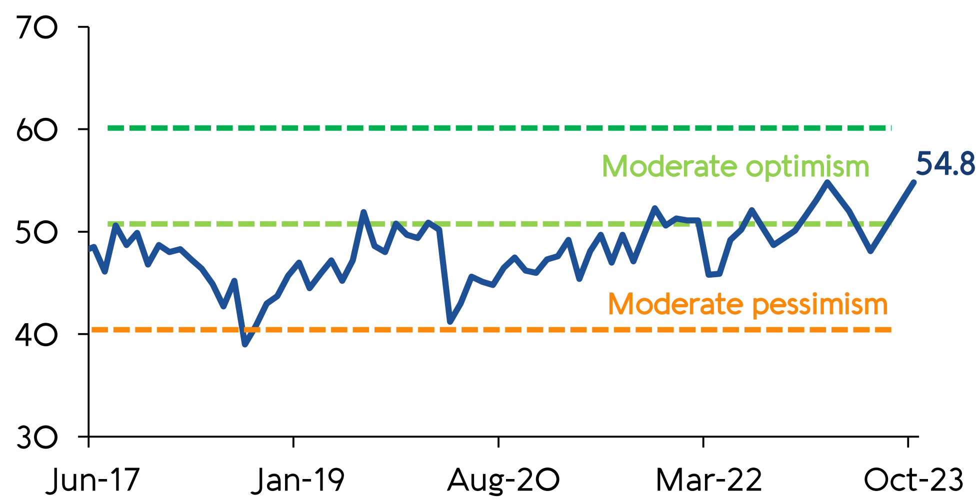
Household consumption (2)

(YoY real change, in %)



Consumer confidence index(3)

(Global)



(1) Source: National Institute of Statistics.
(2) Source: Central Bank of Uruguay.
(3) Source: Equipos Consultores and Universidad Católica del Uruguay.

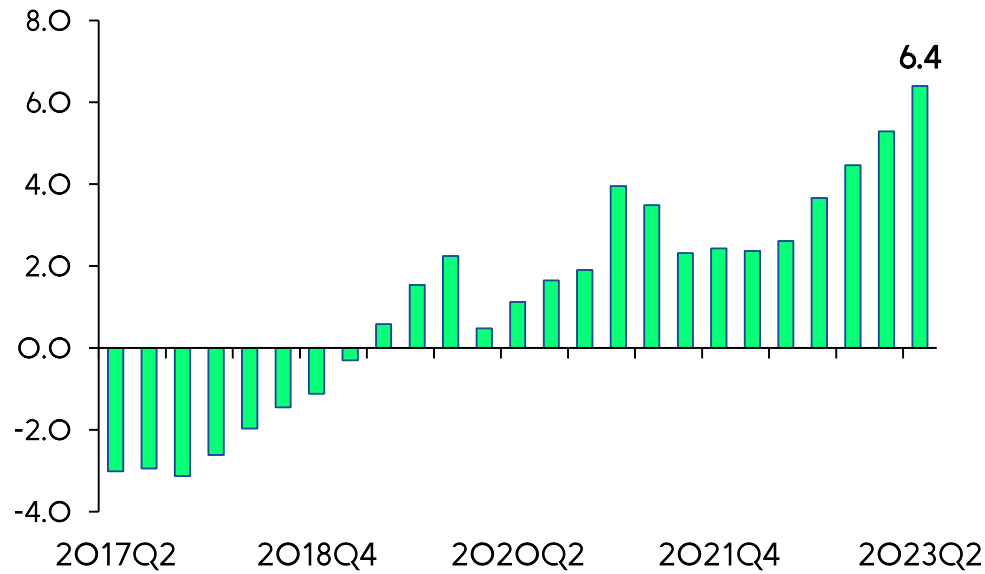
UPM completed the construction of the second pulp mill, on schedule, allowing them to start production operations; a large FDI project for producing e-fuels is expected to start in late 2024.

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 in infrastructure and facilities designed to produce e-fuels using green hydrogen and captured biogenic carbon dioxide**, through a joint venture with HIF Global.
- 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 .*

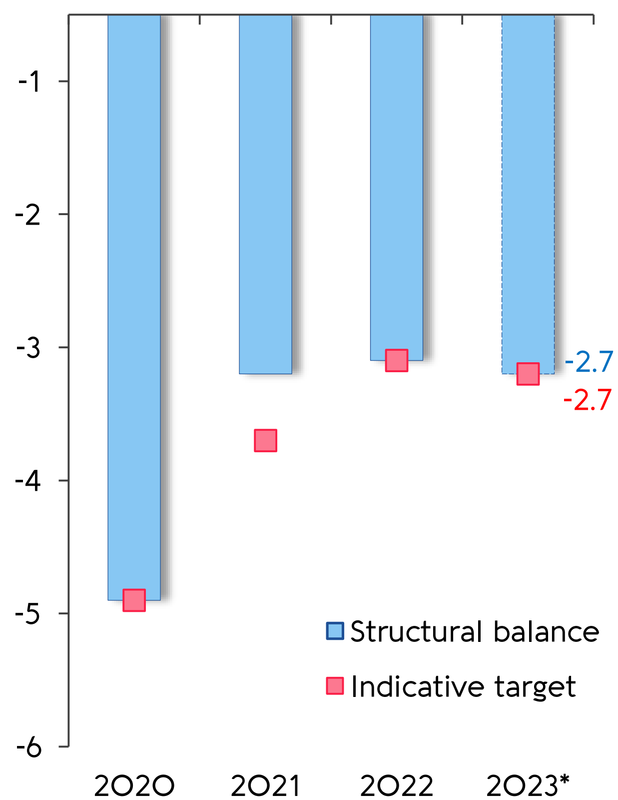
2 The three pillars of the fiscal rule have been met for three consecutive years (2020-2022); targets for 2023 were set in the Annual Accountability Budget bill sent to Congress in June of this year.

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

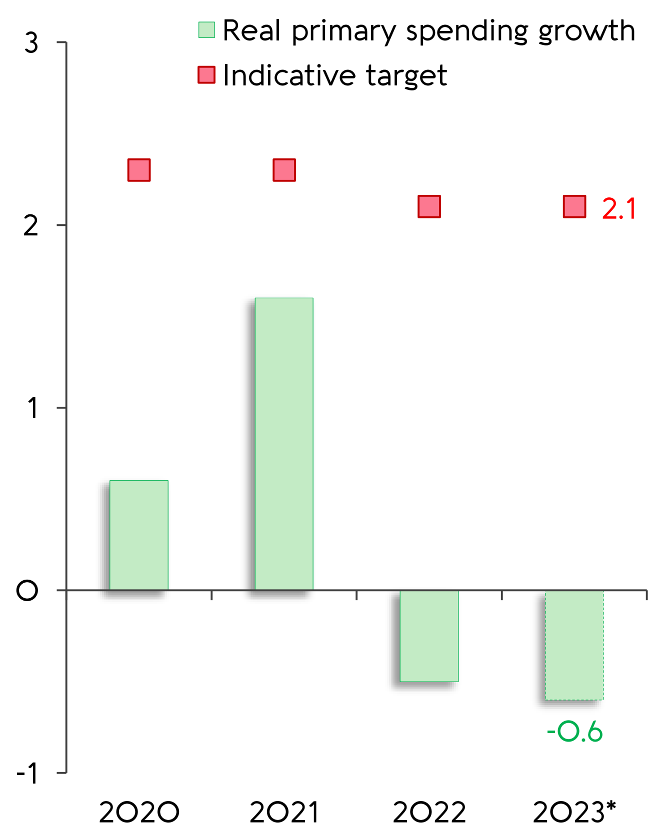
Indicative target cap on real growth in primary expenditure in line with estimated potential real GDP growth

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

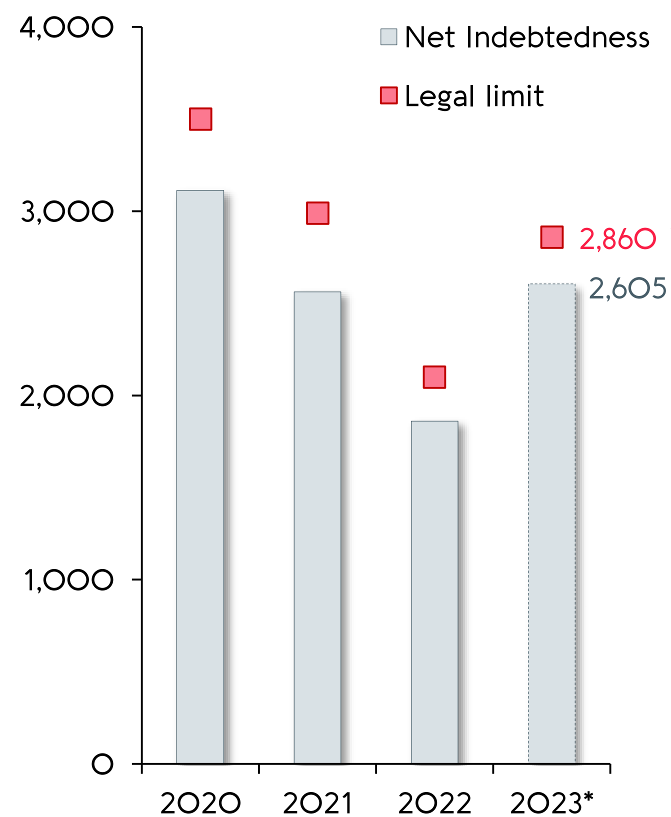
Structural balance(1)
(In % of GDP)



Primary spending (2)
(Annual real change, in %)



Net indebtedness (3)
(USD mm)



Source: Ministry of Economy and Finance of Uruguay, based on the "Proyecto de Ley de Rendición de Cuentas 2022", submitted to Congress by end-June, 2023.

(1) *Structural balance refers to the fiscal outcome adjusted for fiscal items impacted by economic cycle fluctuations and one-off/temporary spending and/or revenues.*

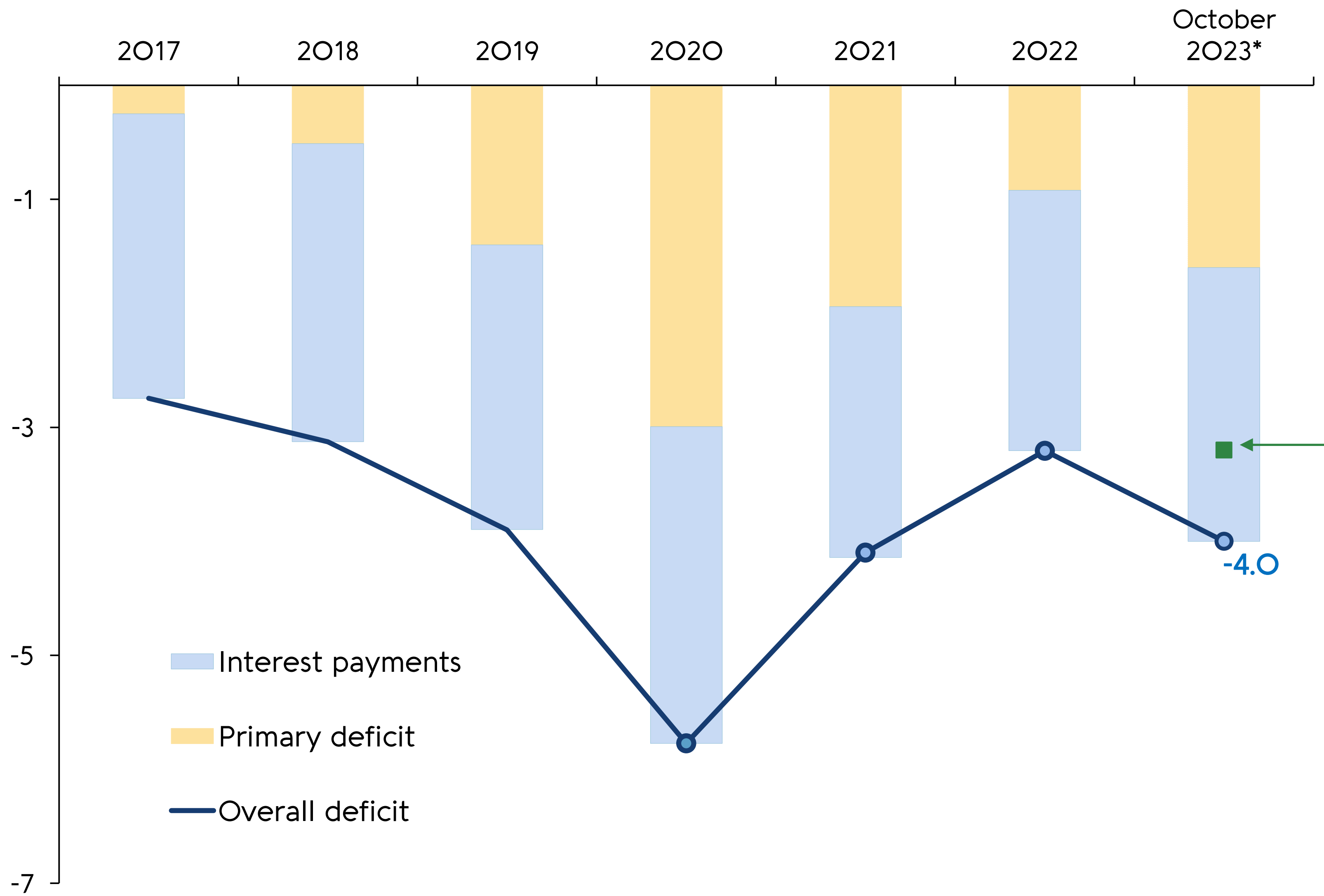
(2) *Potential real GDP growth rate for 2023 estimated at 2,1% (i.e. the indicative target for real primary spending growth is 2.1%). For subsequent years, potential real GDP growth estimated at 2,8%.*

(3) *For 2023, the legal net indebtedness cap was increased from USD 2,200 million to USD 2,860 million due to the water deficit emergency, invoking the use of the legal escape clause in the fiscal rule. Government Net Indebtedness is defined as gross indebtedness (bond market issuance and disbursed loans) net of amortizations of market debt and loans, and the accumulation of Central Government´s financial assets, during the fiscal year.*

(*) *Projections for 2023 included in the Annual Budget Accountability Law.*

Primary fiscal deficit has widened in 2023 — explained by cyclically softer tax revenues and the impact of the drought.

Central Government`s fiscal balance
(In % of GDP)



Central Government overall deficit is projected at 3.2% of GDP in 2023.

Source: Ministry of Economy and Finance of Uruguay and Central Bank of Uruguay, based on the Rendición de Cuentas 2022, submitted to Congress by end-June, 2023. Does not Include extraordinary inflows to the Social Security Trust Fund.
(*) Last 12 months. Based on nominal GDP projection for the 12-month period ended October 2023.

3

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

I. Commitment to lower inflation as overriding objective

II. Short-term Interest rate as policy instrument under IT regime

III. Enhanced transparency in communication

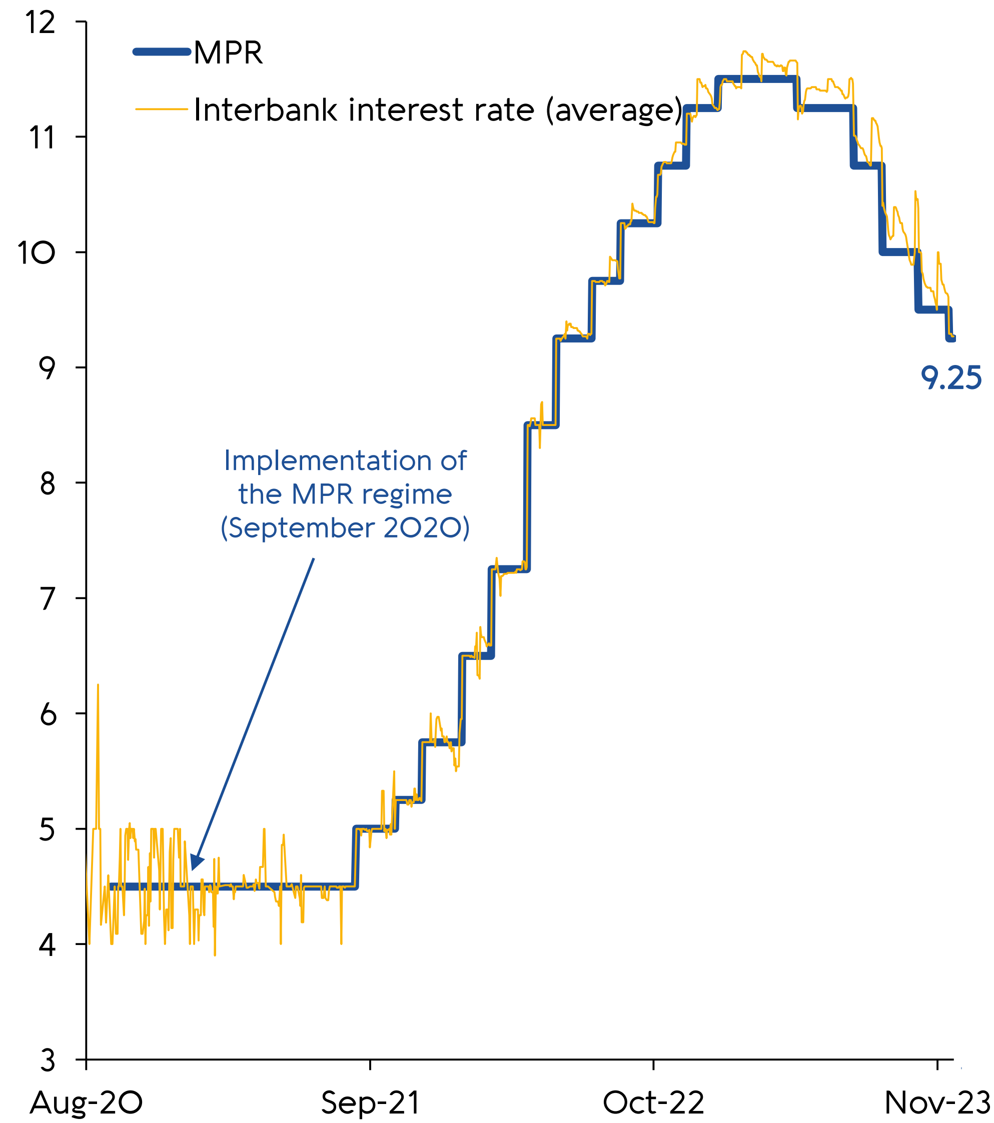
IV. Free-floating exchange rate

V. Policies for Financial de-dollarization

The central bank has acted early and decisively by raising rates and keeping them high in real terms even as inflation has receded; FX has showed relatively low volatility over the last years, including during global risk-off episodes.

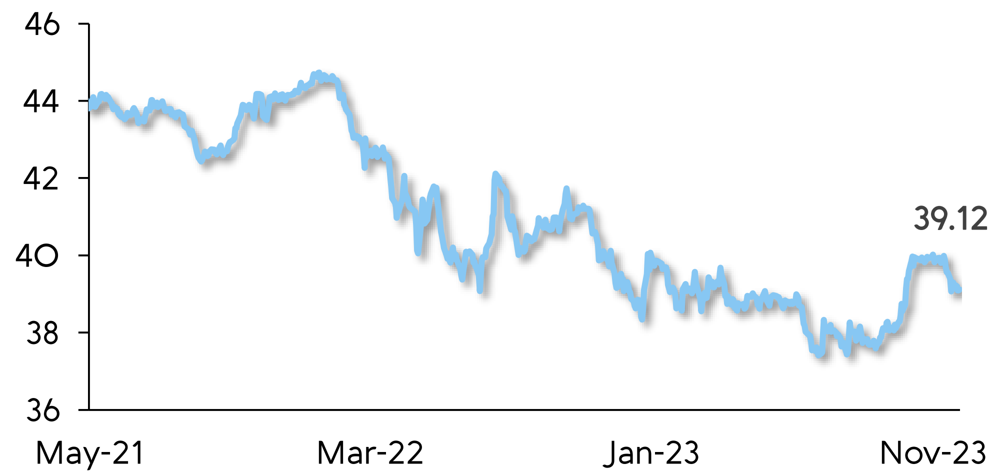
Monetary Policy Rate (MPR) and interbank interest rate (1)

(In %)



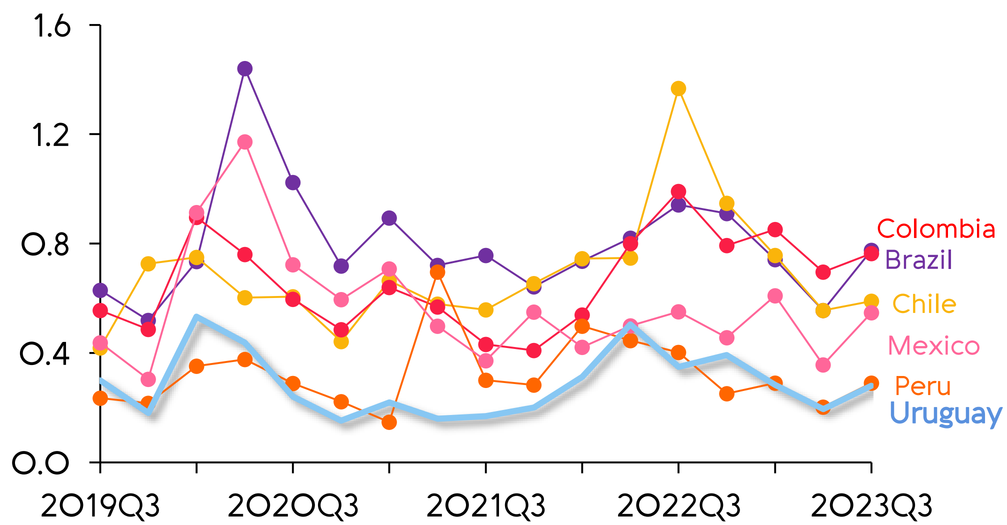
Nominal exchange rate (2)

(Uruguayan pesos per dollar, daily. As of as of end-October 2023)



Nominal exchange volatility in LatAm (3)

(Quarterly average of the absolute value of daily percent changes)



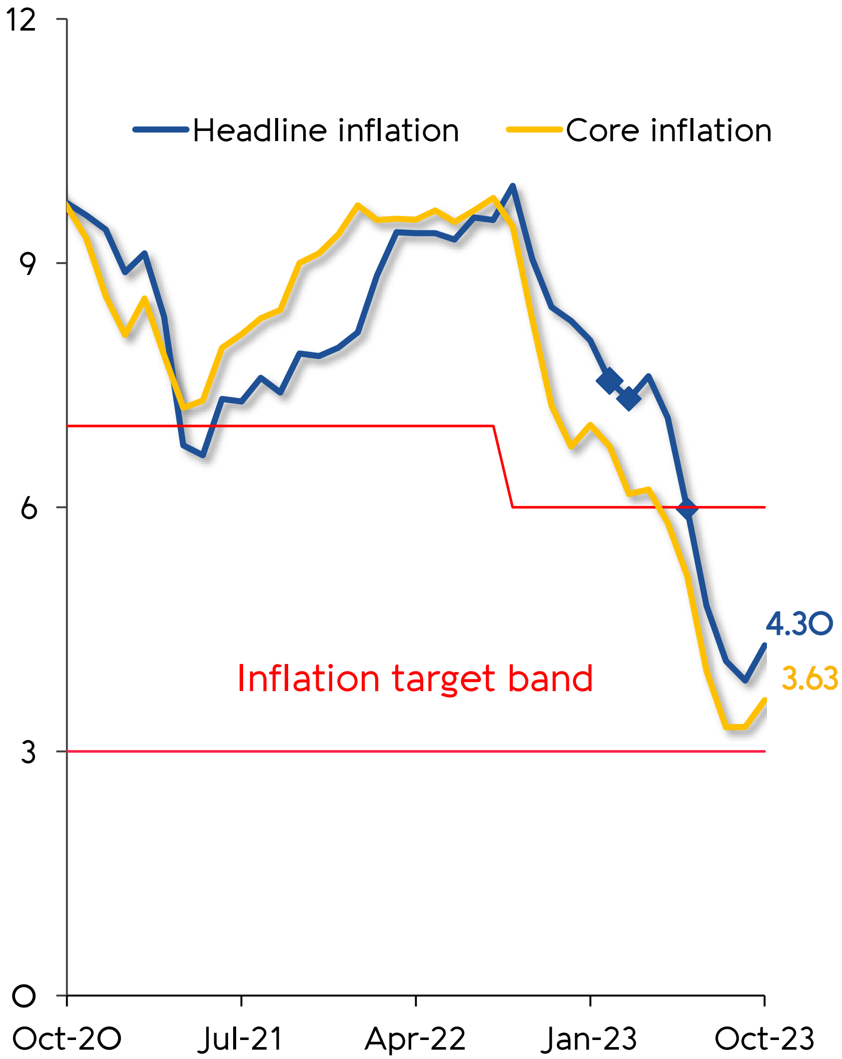
(1) *Source: Central Bank of Uruguay. Before September 2020, the monetary policy instrument was growth in M1 monetary aggregate.*

(2) *Source: Central Bank of Uruguay.*

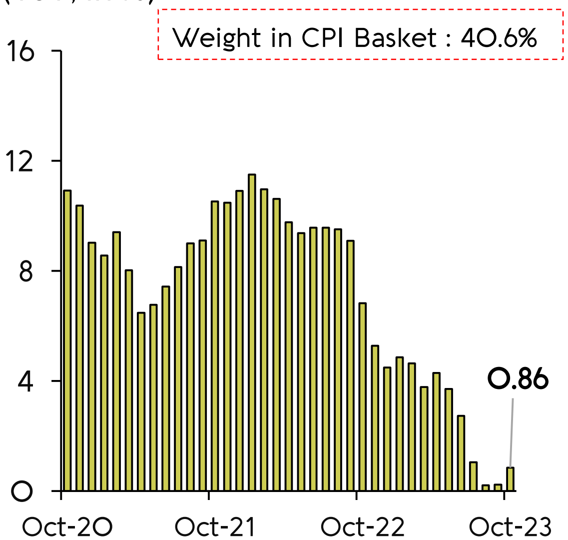
(3) *Source: own calculations based on Bloomberg. Regional and country specific information is as aggregated or reported, as applicable. Each such country information may be calculated differently and aggregated by each respective source using various methodologies. Accordingly, this comparison is for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

Headline inflation has fallen sharply (to its lowest level in 18 years), on the back of decelerating tradeable and non-tradable inflation, unwinding supply effects from the drought and a restrictive monetary policy.

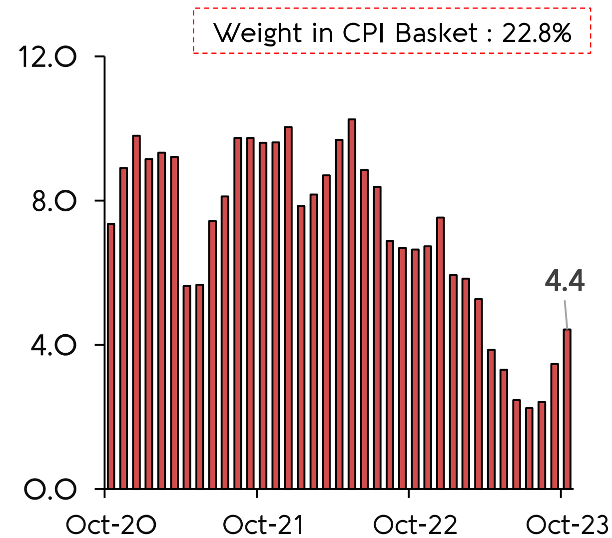
Headline inflation (1)
(YoY, in %)



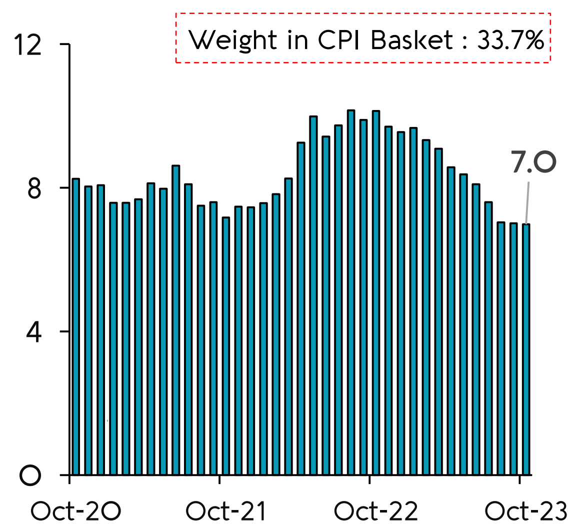
Tradable inflation (2)
(YoY, in %)



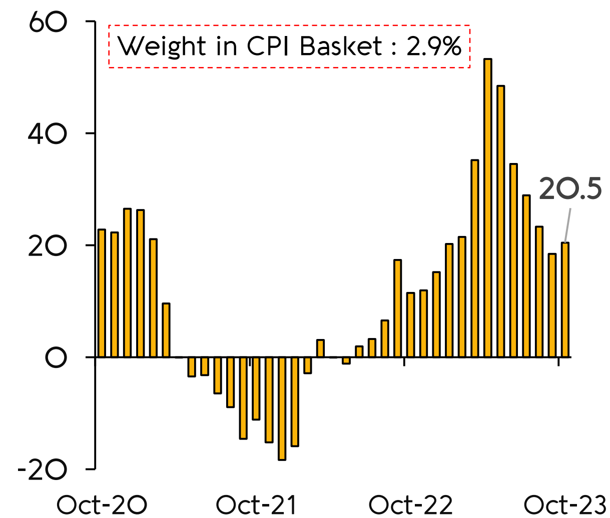
Administered prices inflation (2)
(YoY, in %)



Non-tradable inflation (2)
(YoY, in %)



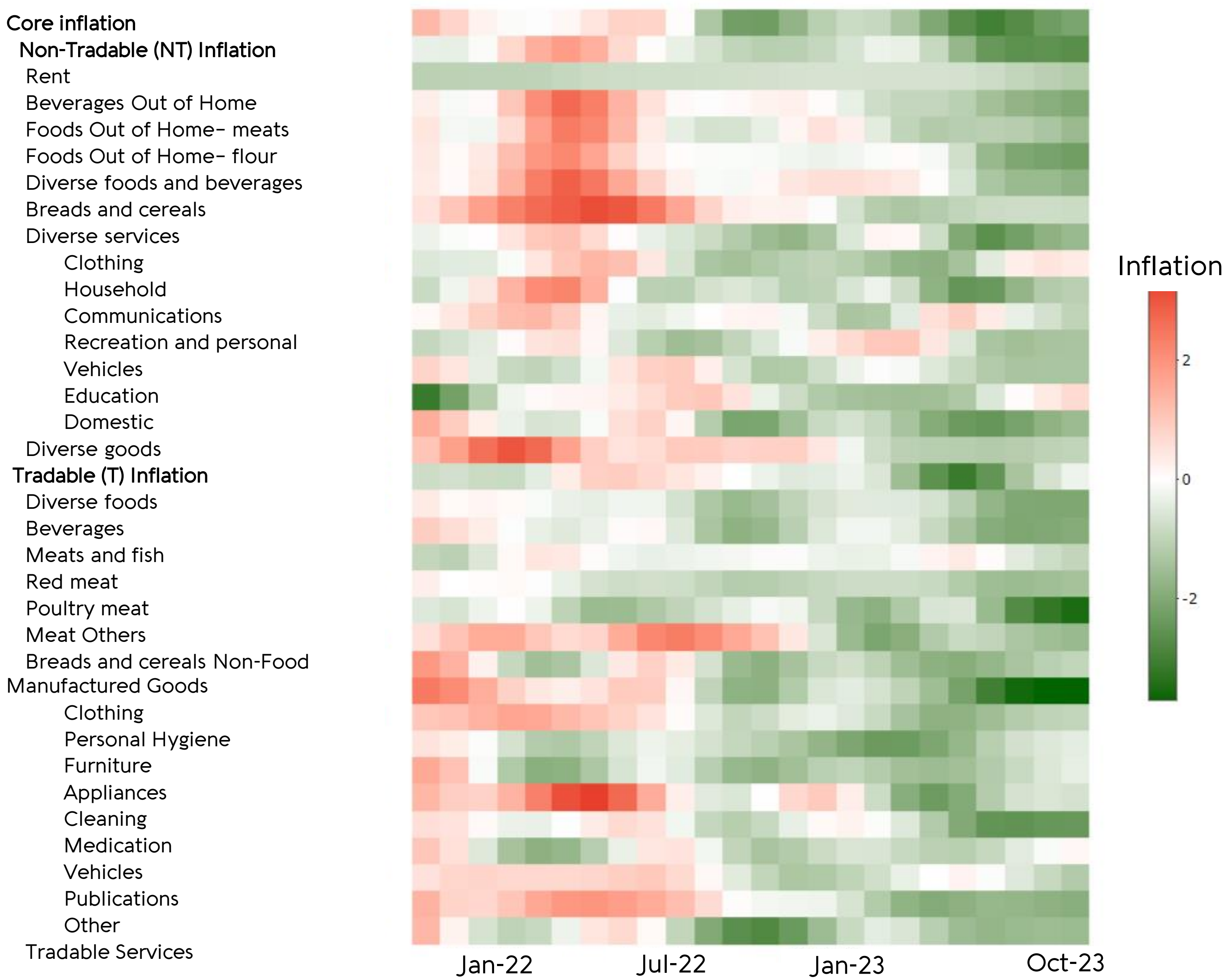
Fruits and vegetables inflation (2)
(YoY, in %)



(1) Source: National Institute of Statistics and Central Bank of Uruguay.
(2) Source: Central Bank of Uruguay.
***Core inflation** excludes fruit and vegetables as well as administered prices.*

Broad-based deceleration of the pace of price increases.

Heatmap for Components of Headline inflation



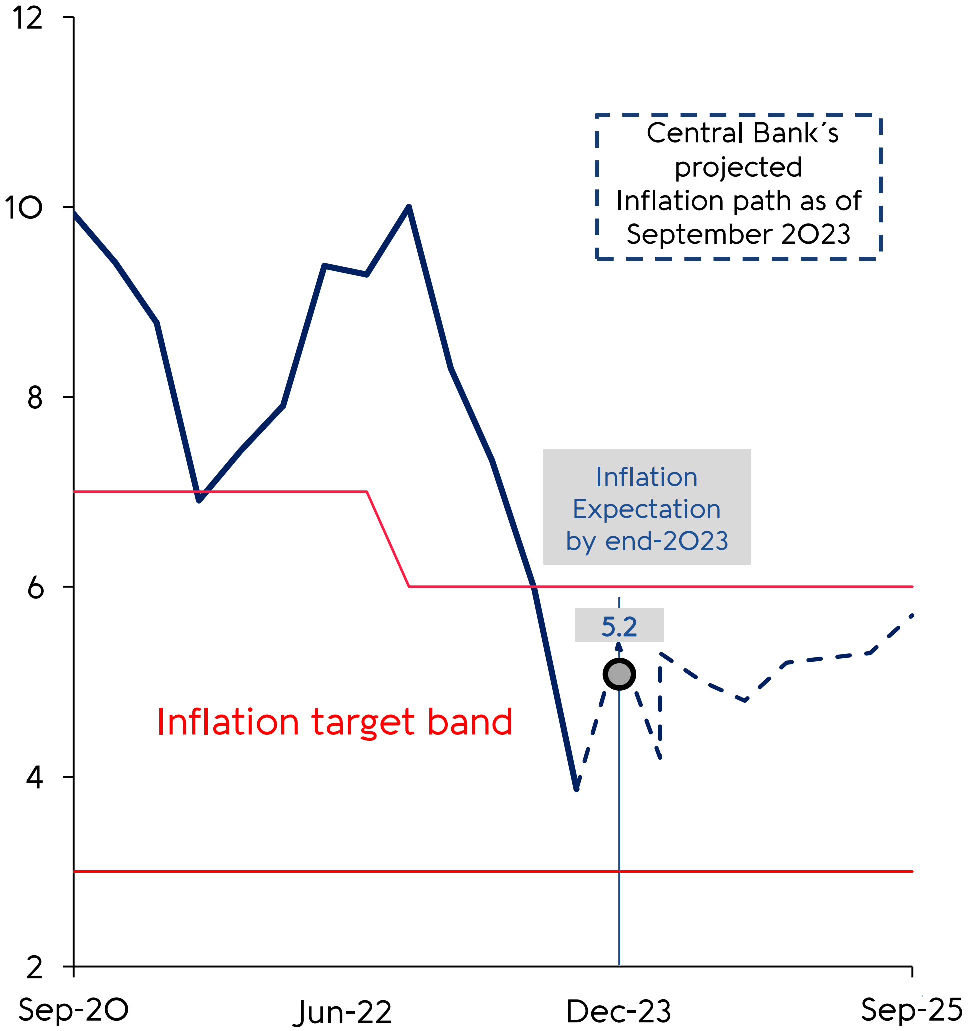
Note: The data series for each inflation item is adjusted for seasonal variation and standardized relative to the historical average of Trend-cycle component.

Source: Central Bank of Uruguay.
Core inflation excludes fruit and vegetables as well as administered prices.

Inflation outturn is in line with Central Bank`s projections, and inflation expectations are converging.

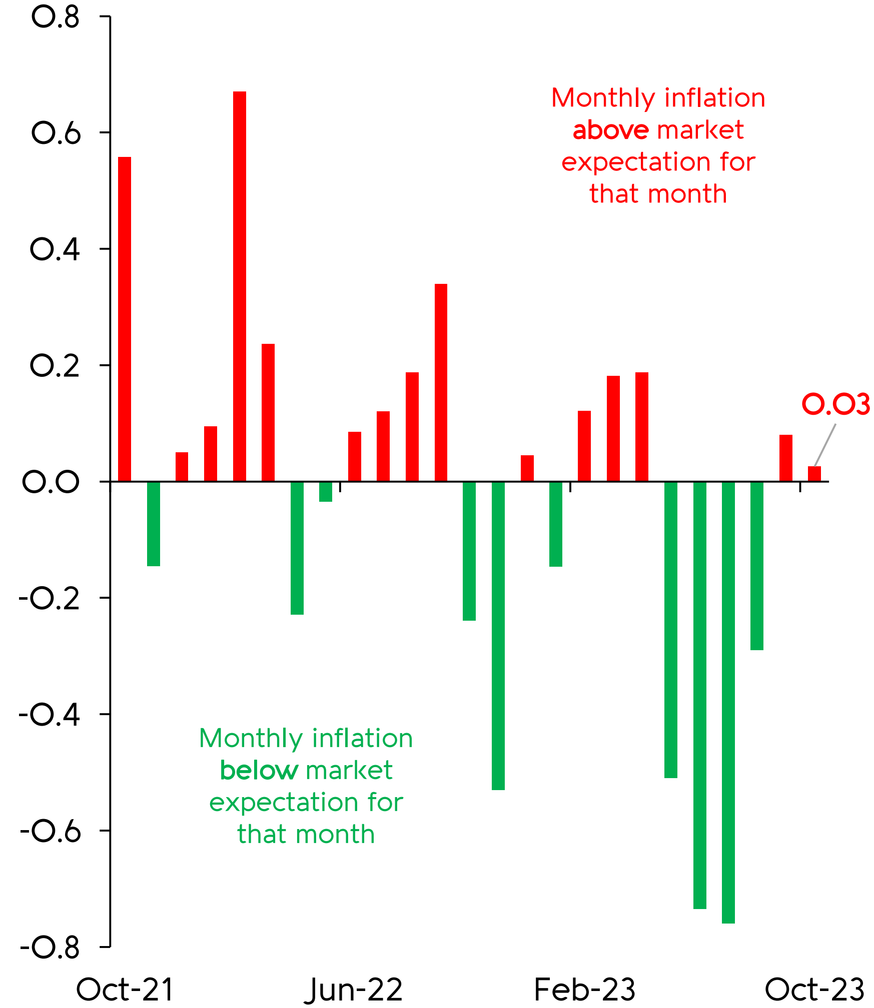
Central Bank´s projected inflation path and inflation expectations (2)

(YoY, in %)



Estimated Surprise inflation component (2)

(Difference between MoM headline inflation and MoM median inflation expectation for corresponding month, in %)



(1) *Source: Source: Central Bank of Uruguay. Quarterly forecasts of the baseline scenario as of November 2023. Median inflation expectations based on Central Bank´s market survey as of ctober 2023.*

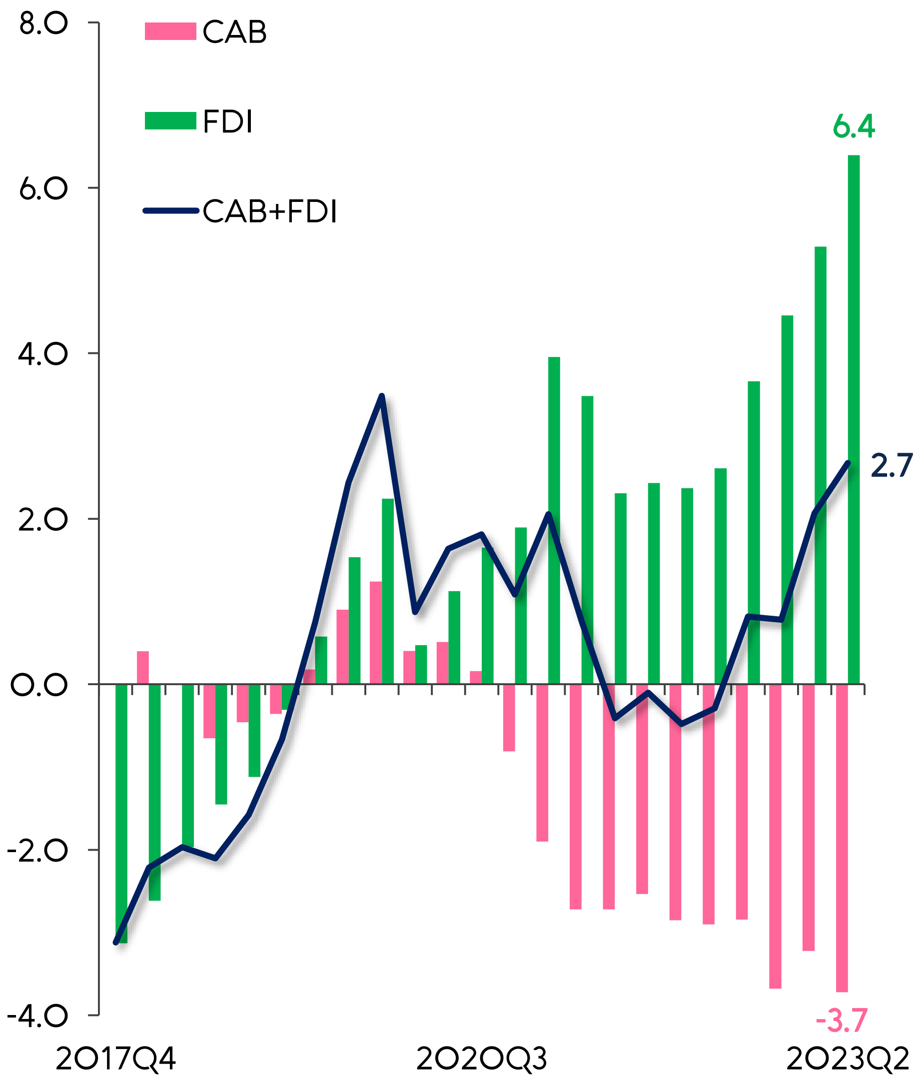
(2) *Source: Central Bank of Uruguay.*

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

4

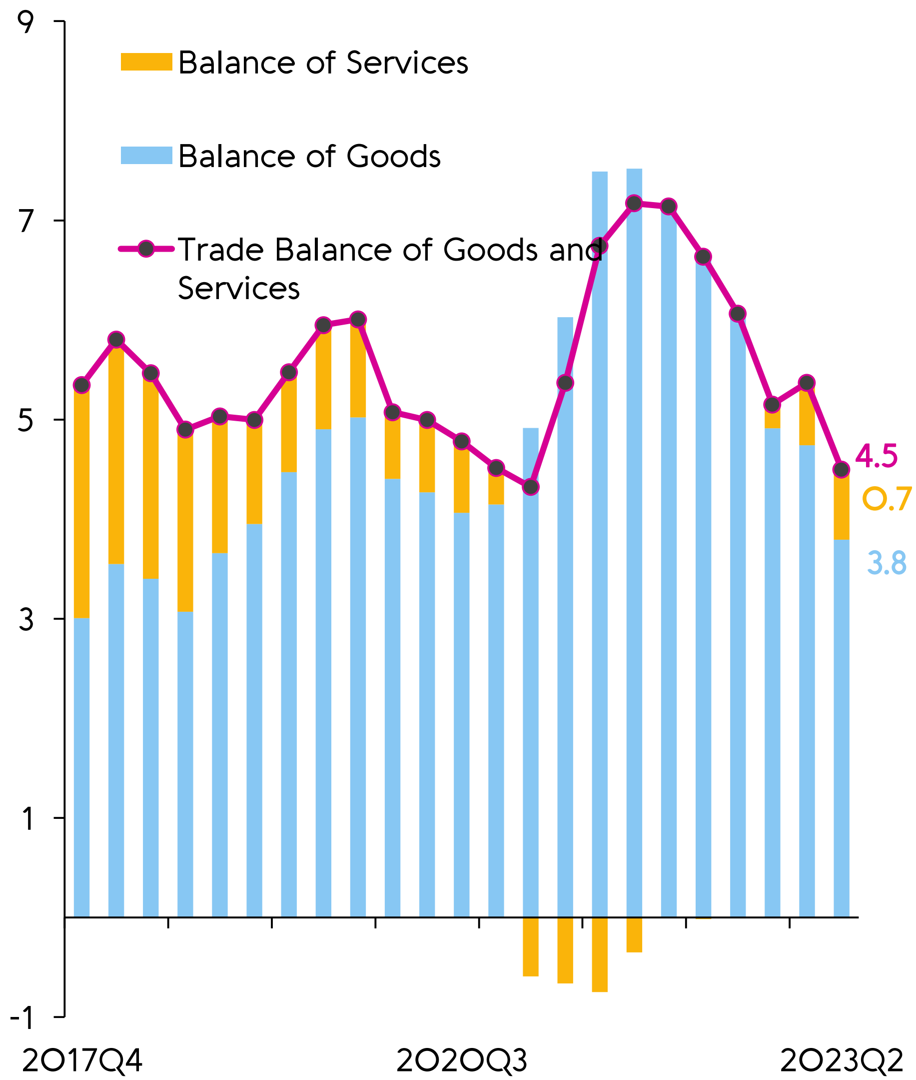
Current account balance and FDI

(Rolling 4-quarters, in % of GDP)



Goods and services balances

(Rolling 4-quarters, in % of GDP)

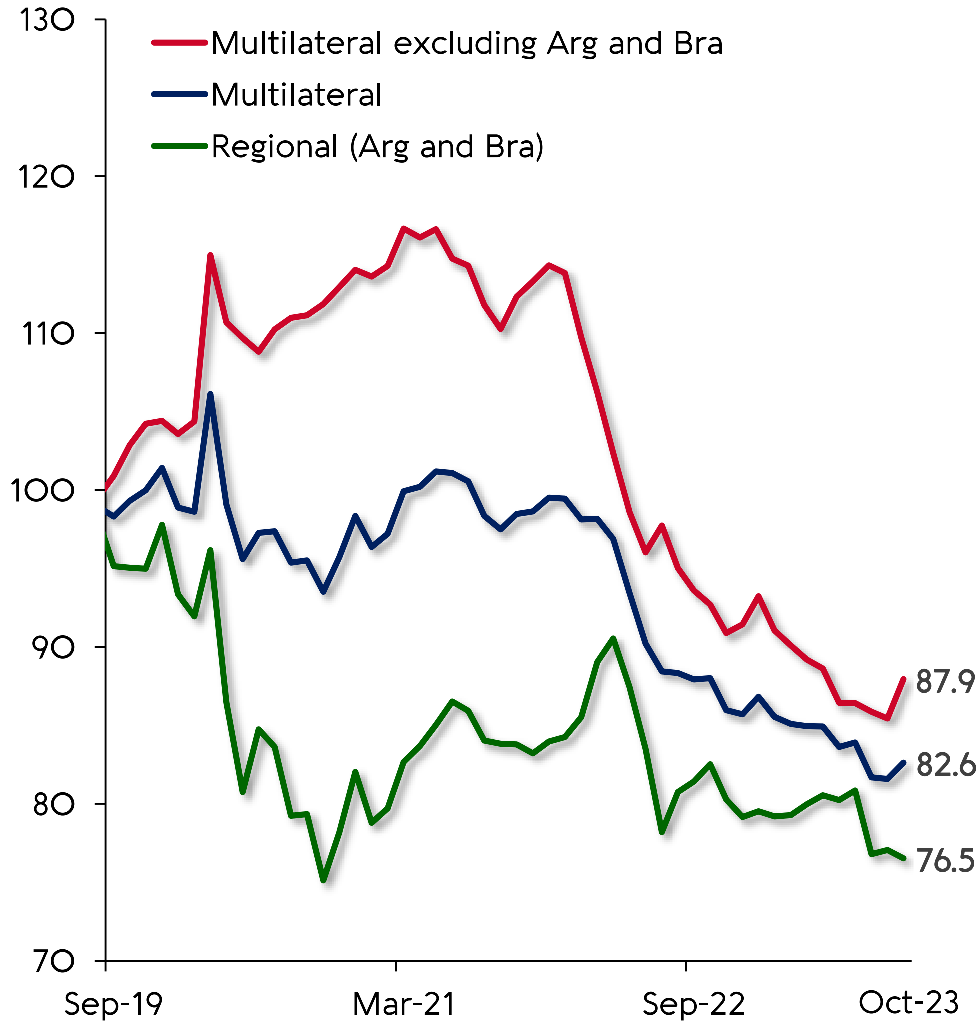


Source: Central Bank of Uruguay.

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

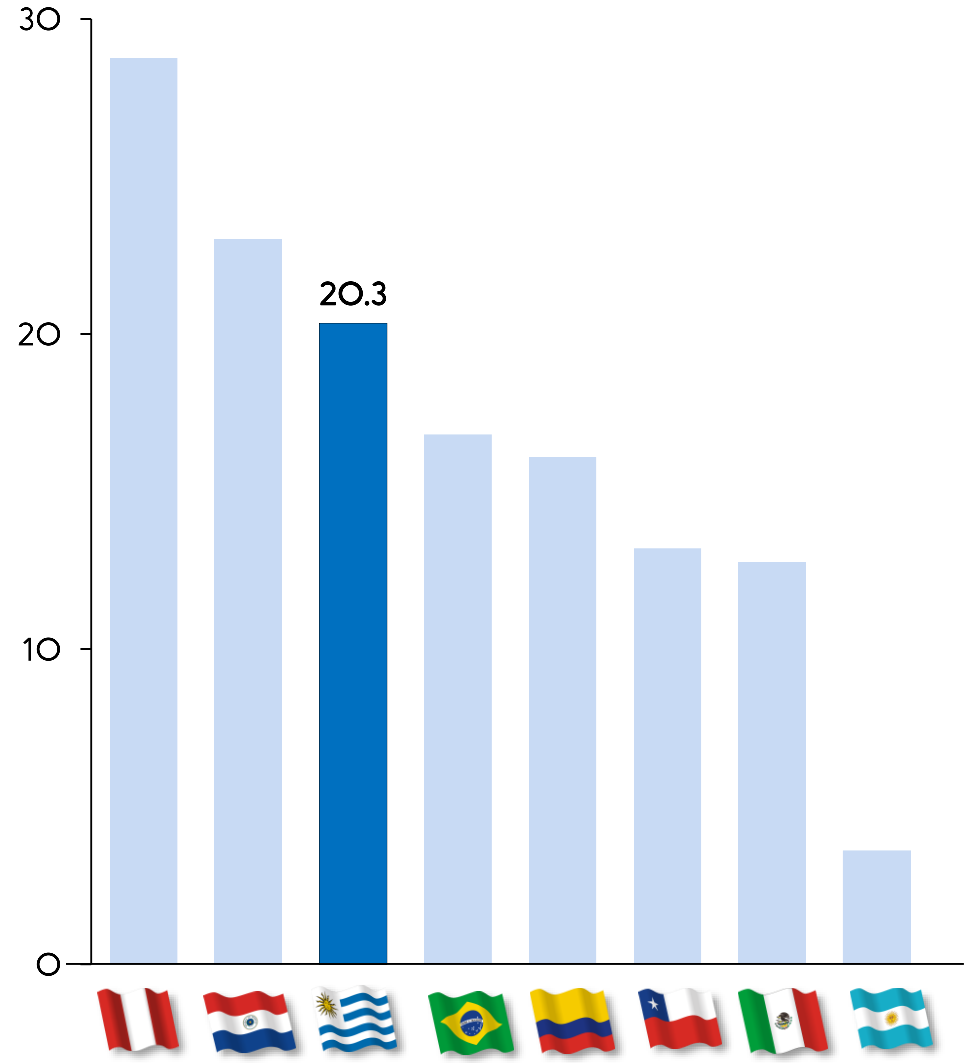
Real Effective Exchange Rate of Uruguay [1]

(Index base 100 = average 2019)



International reserves in Latam [2]

(As of end of October 2023, in % of GDP)

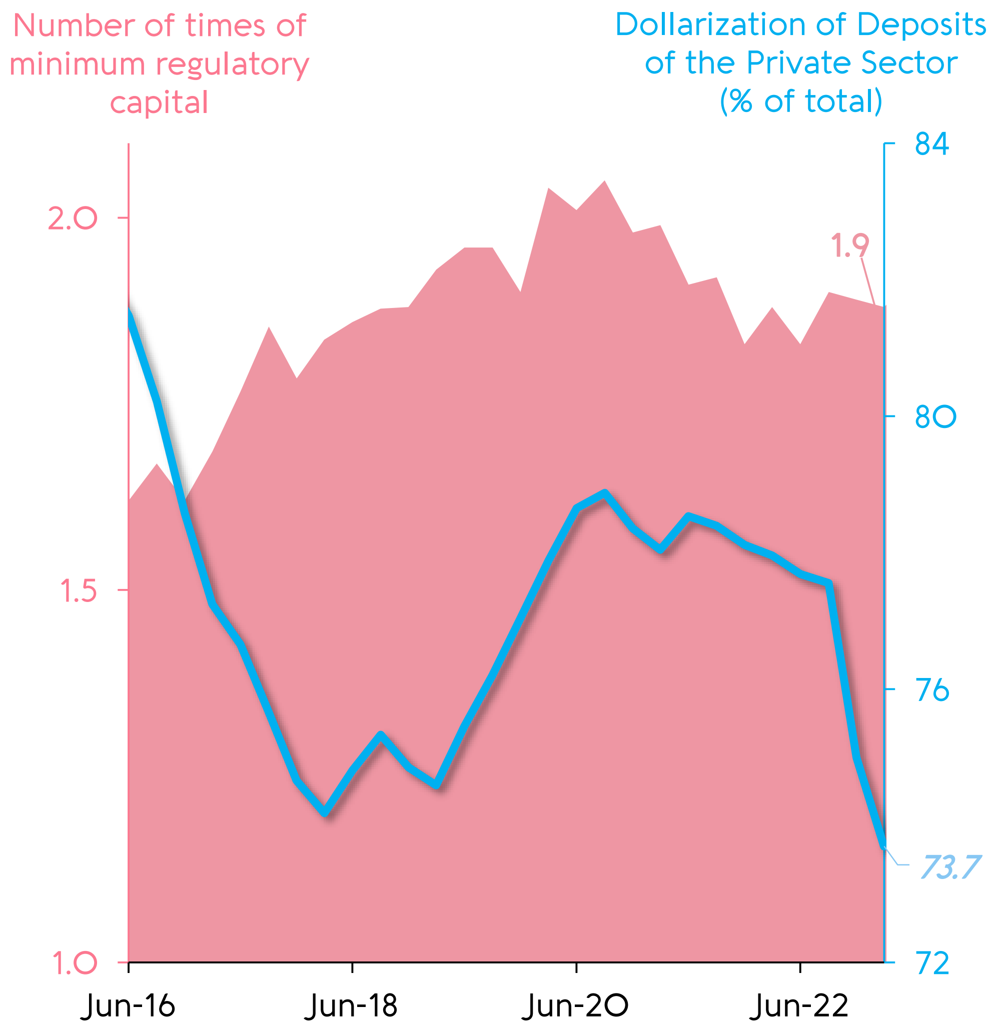


(1) *Source: Central Bank of Uruguay.*

(2) *Source: International Monetary Fund, except for Uruguay, where international reserves correspond to data from Central Bank of Uruguay. International reserves for Peru correspond to end-November 2023. The nominal GDP in US dollars corresponds to 2023, based on WEO projections as of October 2023. 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.*

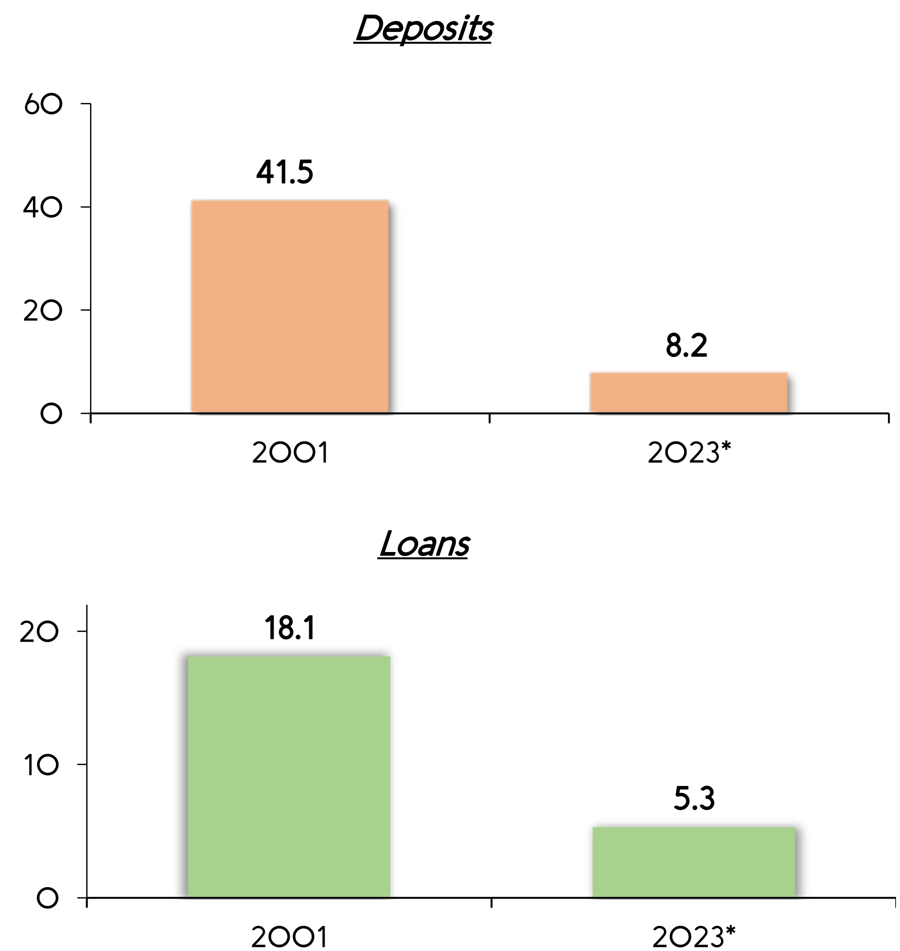
Banking sector remains well-capitalized, with high liquidity levels and low regional exposure, although with still-high deposit dollarization.

Solvency and dollarization of the banking system



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 September 2023.

Source: Central Bank of Uruguay.

5

Government forges ahead with structural and fiscally-conservative 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	Approved on December 18th, 2020	Approved on November 3rd, 2022	Approved on April 27th, 2023

Urgent Consideration (*UC*) Law(1) — 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.

2020-2024 Budget Law — 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.

2021 Budget Review — Approved on November 3rd, 2022

- Fullfillment of the three pillars of the Fiscal Rule in 2021
- Proposes additional expenditures for three specific areas: education, I+D and citizen security.
- Provides for further public policies to foster long-term growth.

Social Security Reform — Approved on April 27th, 2023

- 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.

(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.

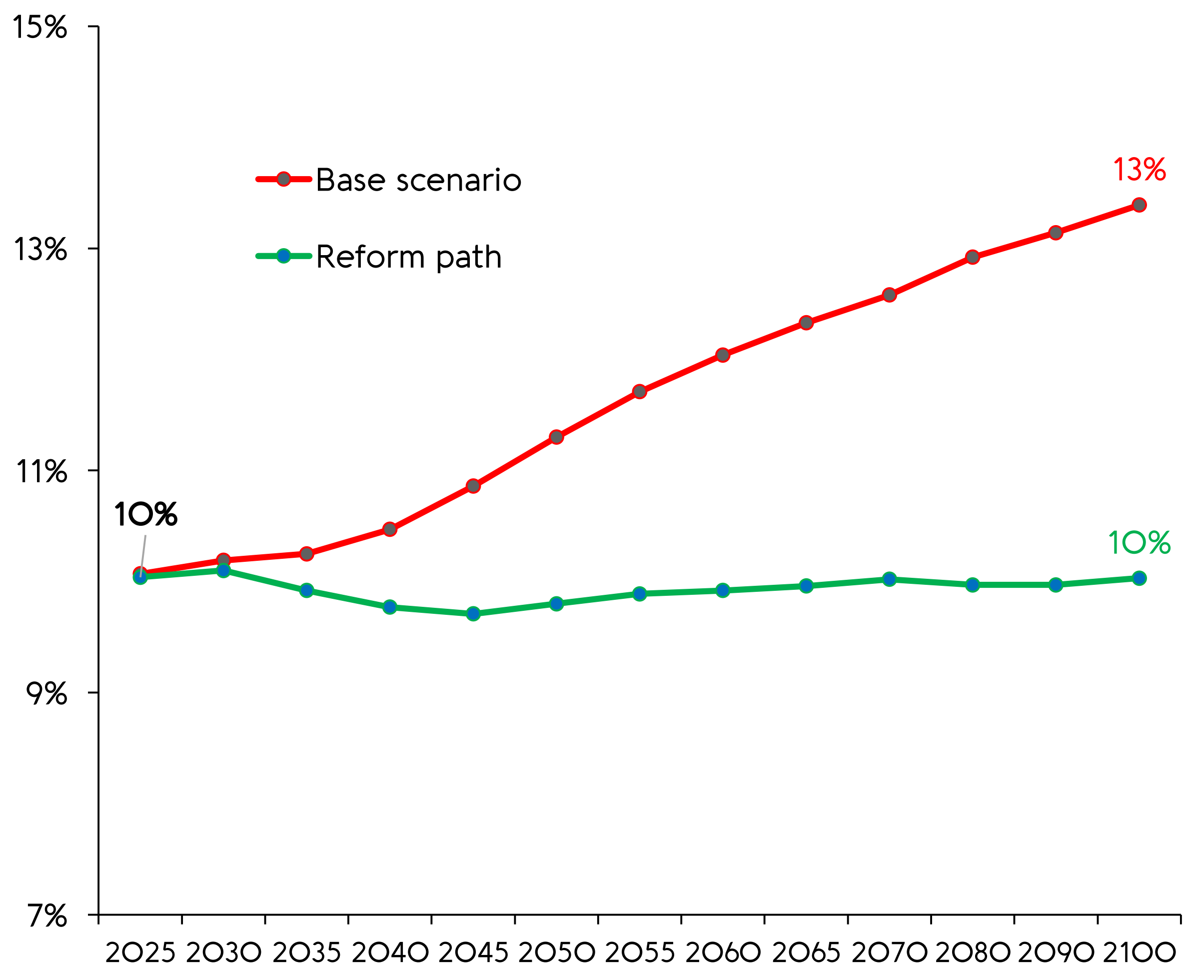
Source: Ministry of Economy and Finance of Uruguay.

Social Security reform is focused on long-term fiscal sustainability and improving equity of the pension system.

- **Necessary:** given challenging demographic trends(1), intra and intergenerational justice, sustainability(2), and system fragmentation(3).
- **Gradual:** Retirement age increases gradually, starting from individuals born in 1973 onwards.
- **Fairer:** sustains elevated levels of coverage, with each contribution being significant. The "Supplementary Solidarity" program ensures a minimum income in old age.
- **Sustainable:** covers future pension expenditure.

Projection of Expenditures for Pensions, Disability and Survivorship (4)

(In % of GDP)(5)

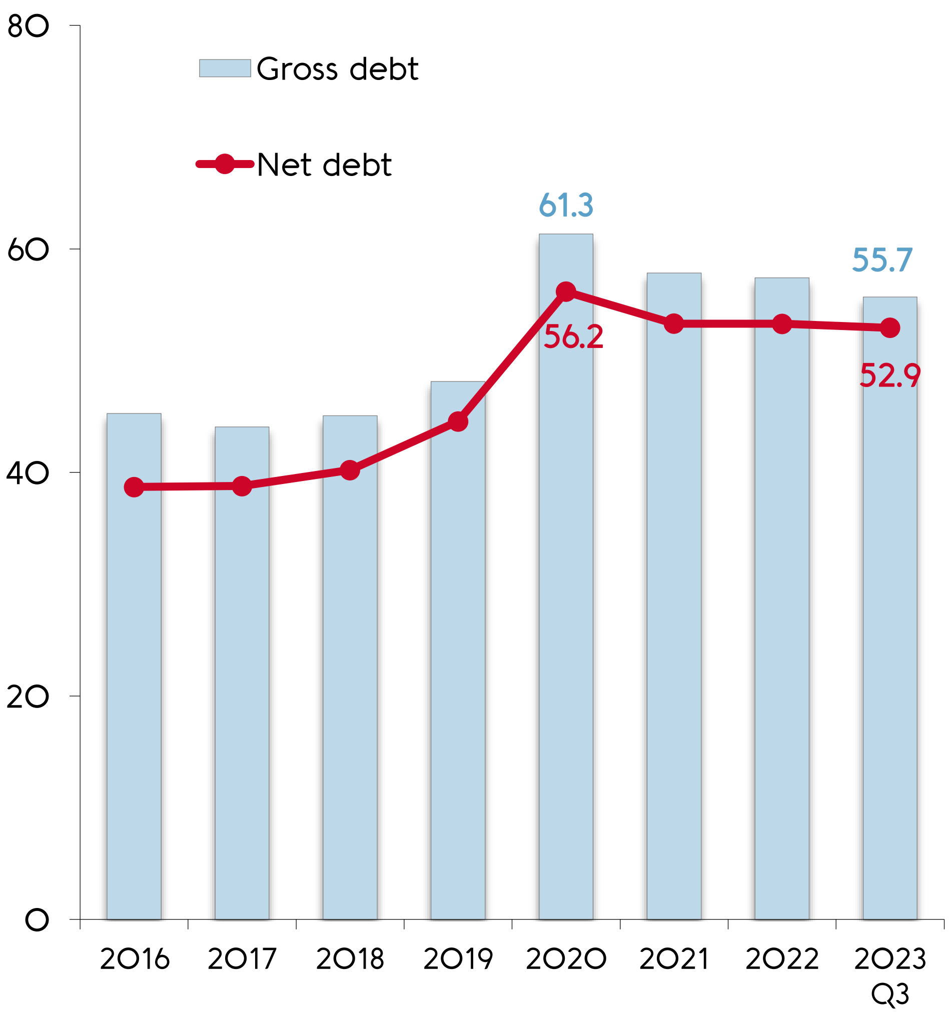


(1) *The significant reduction in the number of births, coupled with the increasing life expectancy observed in our country, represents a rapid progress of demographic aging.*
(2) *Public spending on pensions is at relatively high levels and follows an unsustainable trajectory.*
(3) *The high fragmentation of the current system results in inequalities in rights and obligations among individuals. Every peso contributed to the system benefits in varying amounts and characteristics, depending on the affiliation sector or pension scheme of individuals, even within BPS.*
(4) *Source: Social Security Bank (BPS).*
(5) *Includes the BPS, Armed Forces Retirement and Pension Service and Police Social Security Fund.*

The government debt-to-GDP ratio has decreased since the onset of the pandemic, while debt management strategies and relative price effects have significantly reduced dollarization of debt.

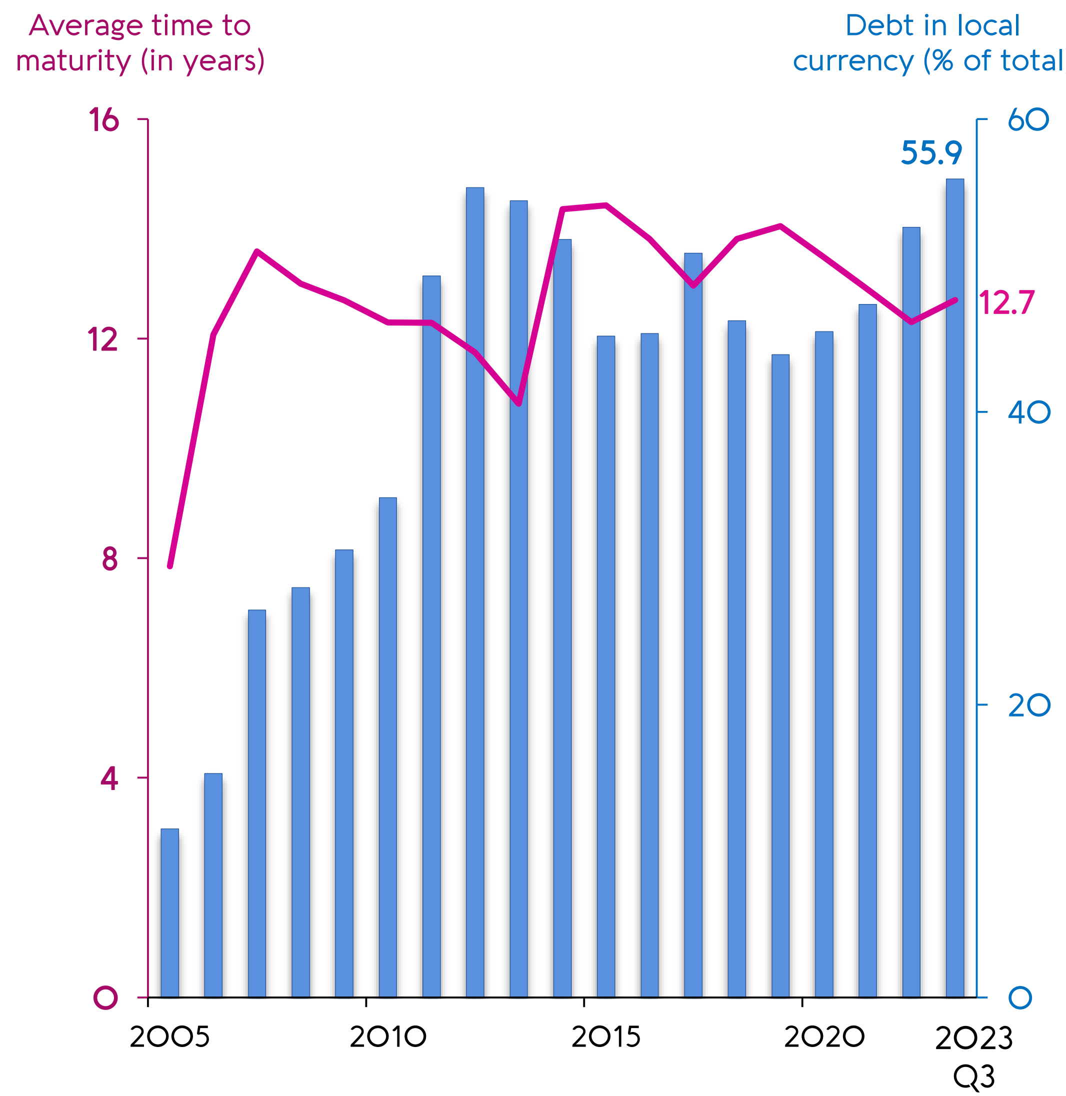
Gross and net debt stock of the Central Government

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



Currency and maturity composition of debt

(As of end-period)



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

Central Government´s funding needs and financing sources for 2023.

Flow of funds
(Annual, in USD million)

	2023 (*)	2024 (*)
FINANCING NEEDS	**5,263**	**4,438**
Primary Deficit[1/]	716	243
Interest Payments[2/]	1,896	2,062
Amortizations of Bonds and Loans[3/]	2,842	2,068
Change in Financial Assets	-191	65
FUNDING SOURCES	**5,263**	**4,438**
Disbursements from Multilaterals and Fin. Instit.	987	325
Total Issuance of Market Debt[4/]	4,269	4,015
Others (net)[5/]	7	98
Memo Item : Government Net Indebtedness (GNI)	2,605	2,207

(*) 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.
(3) For 2023, includes the obligations coming due on a contractual basis and bonds repurchased and early redeemed through November 2023.
(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 goals for the rest of 2023.

- Diversify sources of funding in international markets and continue broadening the investor base, particularly ESG-focused accounts.

- Keep refinancing risk contained through LM operations, precautionary liquidity buffers and contingent credit lines from multilateral banks.

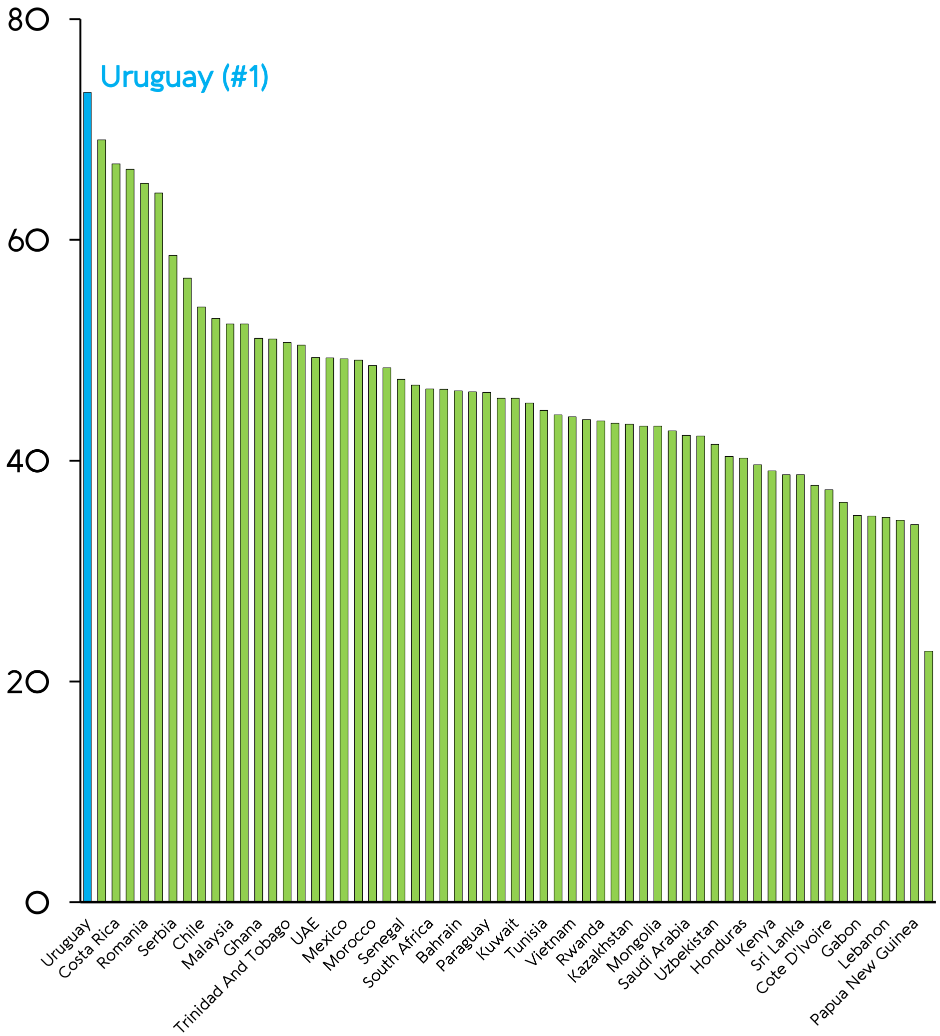
- Align sovereign funding strategies (in bond market issuance and multilateral loans) with achieving ambitious environmental targets.

7

Uruguay is the top global performer on ESG fundamentals in emerging markets and has the lowest sovereign risk premia in Latin America.

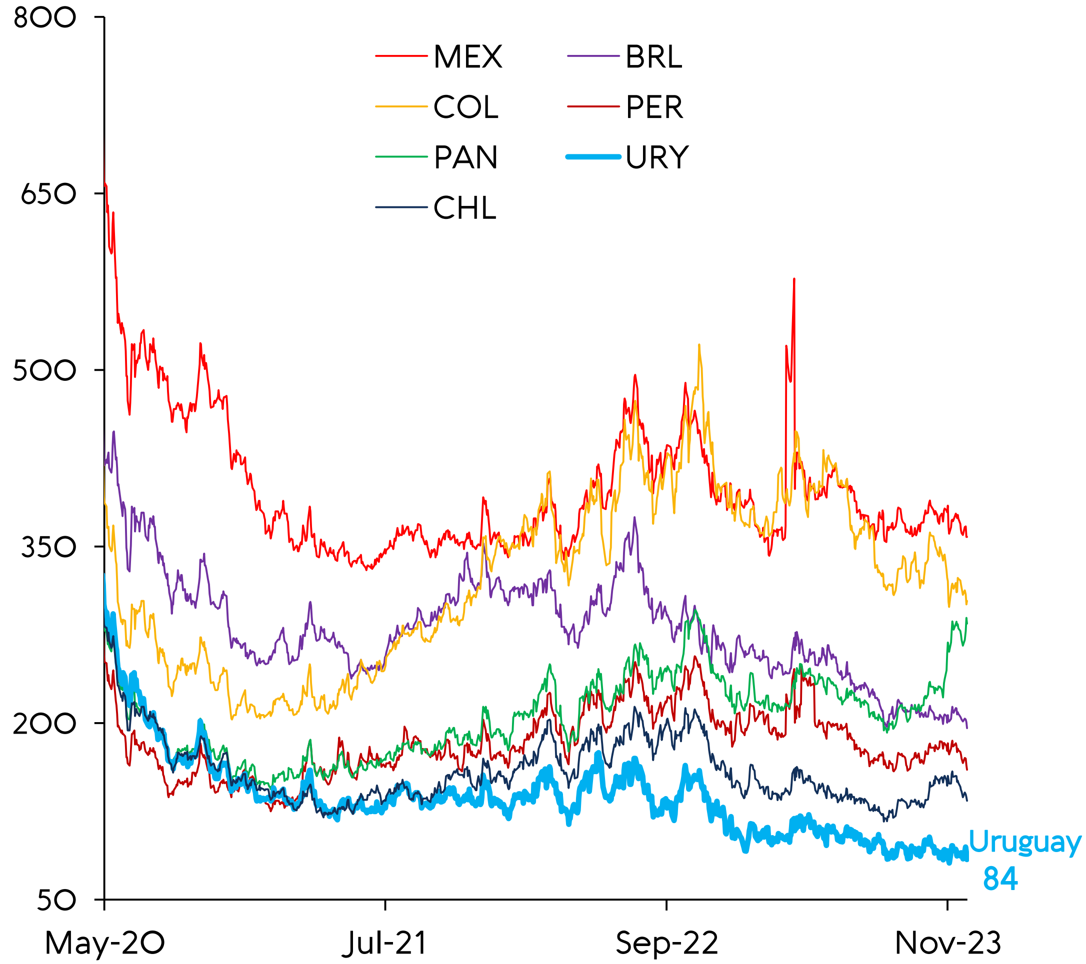
Emerging Markets' ESG Score [1]

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



Sovereign risk premia in LATAM [2]

(EMBI spread, in bps; as of end-November, 2023)



1) 60 countries.
Source: .P. Morgan Chase & Co. using data from Verisk Maplecroft, Sustainalytics and Climate Bonds Initiative .
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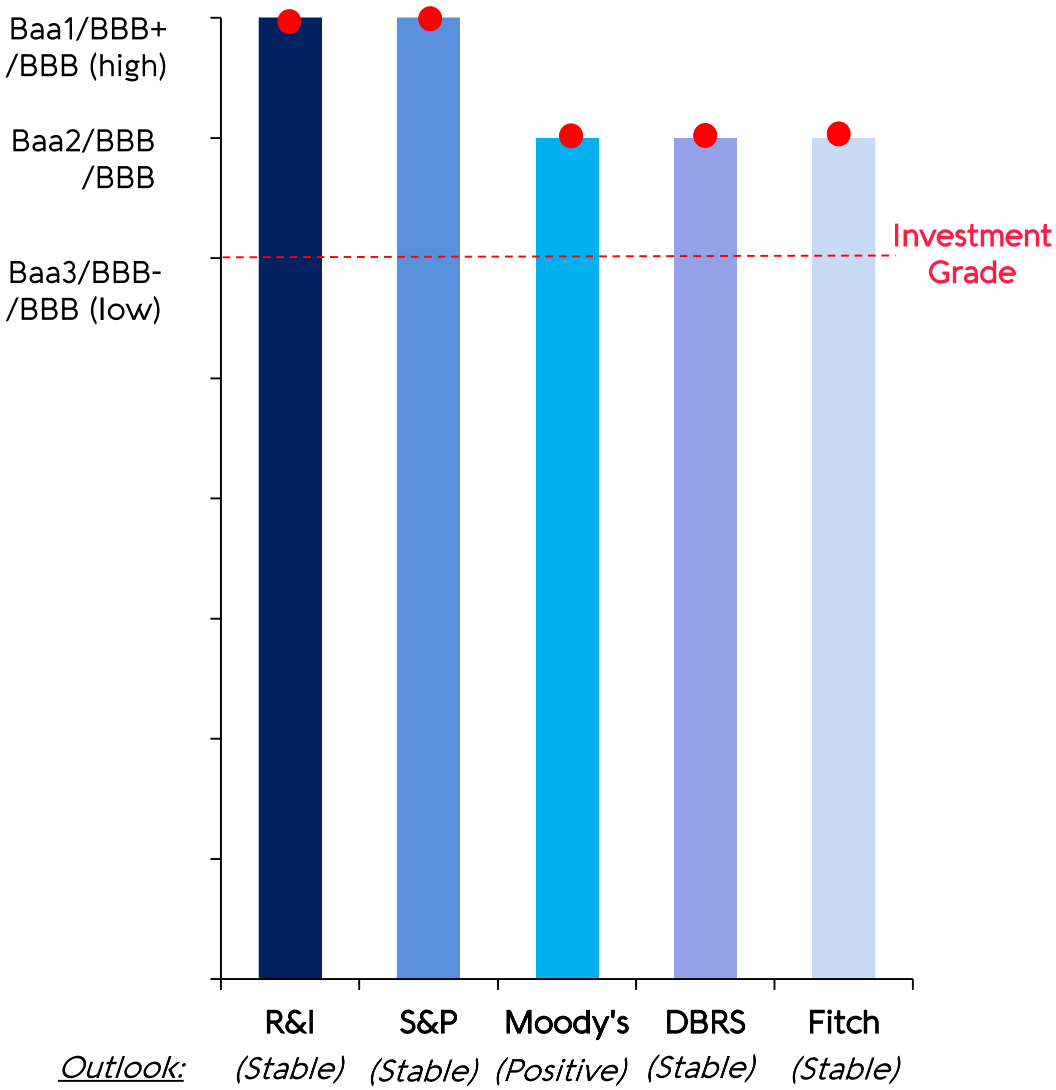
2) Source: Bloomberg.
Regional and country-specific information is aggregated or reported, as applicable. Each country's information may be calculated differently and aggregated by each source using various methodologies.
Accordingly, this comparison is for illustrative purposes only and we do not purport to assert that the above information is actually comparable.

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 as of end-November, 2023)



Latest credit rating actions

On November 20, 2023, DBRS-Morningstar confirmed Uruguay's Long-Term Foreign and Local Currency–Issuer Ratings at BBB. The outlook is **stable**.

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

Source: Moody's, S&P, R&I, DBRS-Morningstar and Fitch. Agency ratings are not a recommendation to buy, sell or hold any security, and they may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating, as each agency has different evaluation criteria.

República Oriental del Uruguay

THANK YOU