República Oriental del Uruguay

Institutional Investor Presentation

February 2024

Ministerio de Economía Y Finanzas

Photo credit: United Nations Development Program.

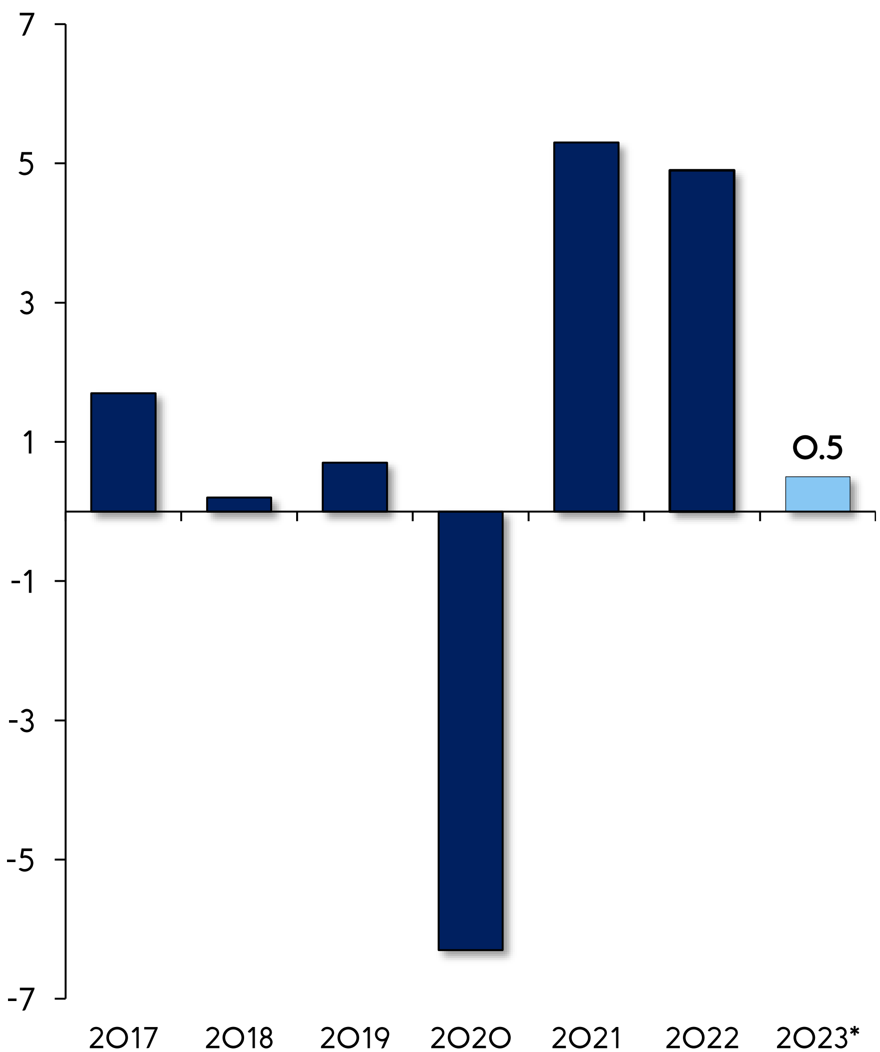
Key Credit Highlights

1. After sluggish growth in 2023, economic activity is poised to rebound firmly in 2024.
2. The Government delivered on all pillars of the fiscal rule in 2023, for the fourth consecutive year.
3. Significant deceleration of inflation, which reverted to target band, while inflation expectations reached historic lows.
4. Current account deficit is more than financed by FDI, amid real exchange rate appreciation and large international reserve buffers.
5. The Government has passed structural and fiscally conservative reforms, including the social security reform law.
6. Strengthening in the Government's balance sheet, through a stabilization of the sovereign debt burden and continued improvements in the currency debt structure.
7. Uruguay is the top performer on ESG fundamentals among EM countries and has the lowest country risk spread in LATAM.

Economic activity decelerated markedly during 2023, weighed down by a severe drought, lower external demand for agricultural goods and relative prices with Argentina.

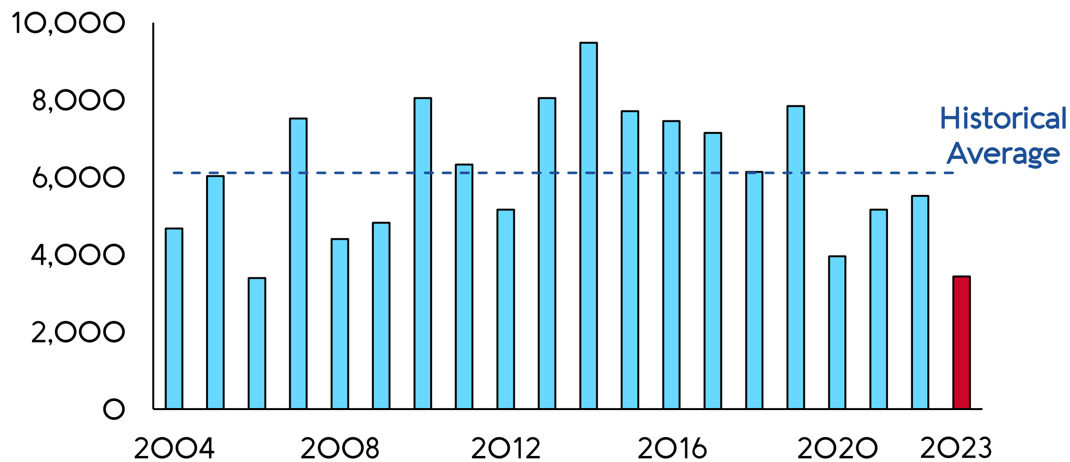
Annual real GDP change[1]

(YoY, In %)



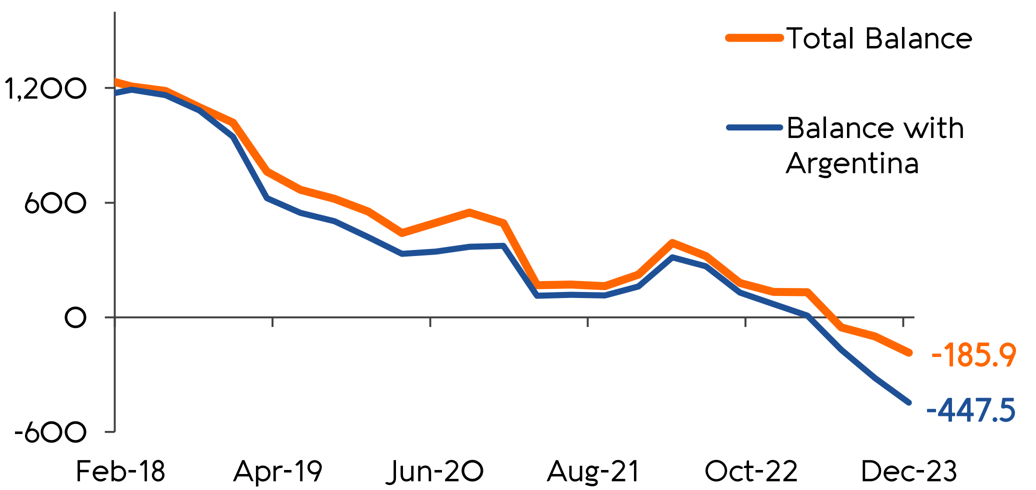
Uruguay´s hydraulic electricity generation[2]

(in GWh. annual)



Net Tourism Balance[3]

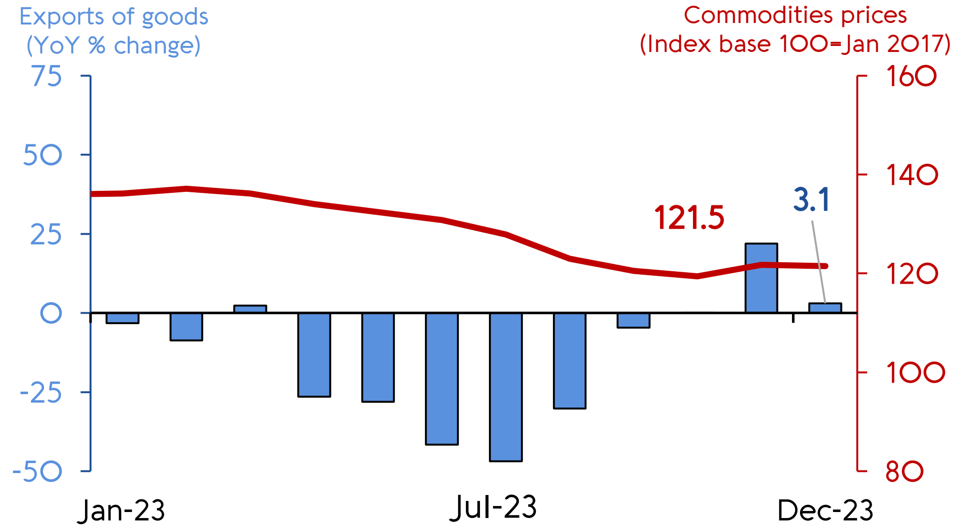
(in millions of dollars, rolling 4-quarters)



(1) Source: Central Bank of Uruguay.
(*) Annual real GDP change for 2023 is based on the latest estimate by the Ministry of Economy and Finance.
(2) Source: National Administration of Power Plants and Electrical Transmissions (UTE) and Uruguayan Electric Market Administration (ADME). The historical average was calculated for the period 2004-2023.
(3) Source: Ministry of Tourism.

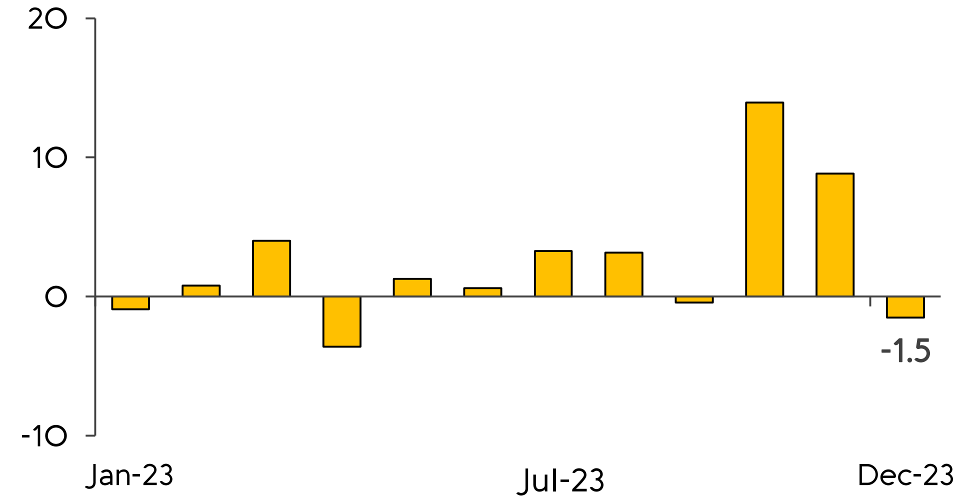
Leading indicators suggest that a recovery is underway since the last quarter of 2023, driven by normalization of agricultural production, stronger industrial production by UPM and lower outbound tourism to Argentina.

Exports of goods and commodities prices(1)

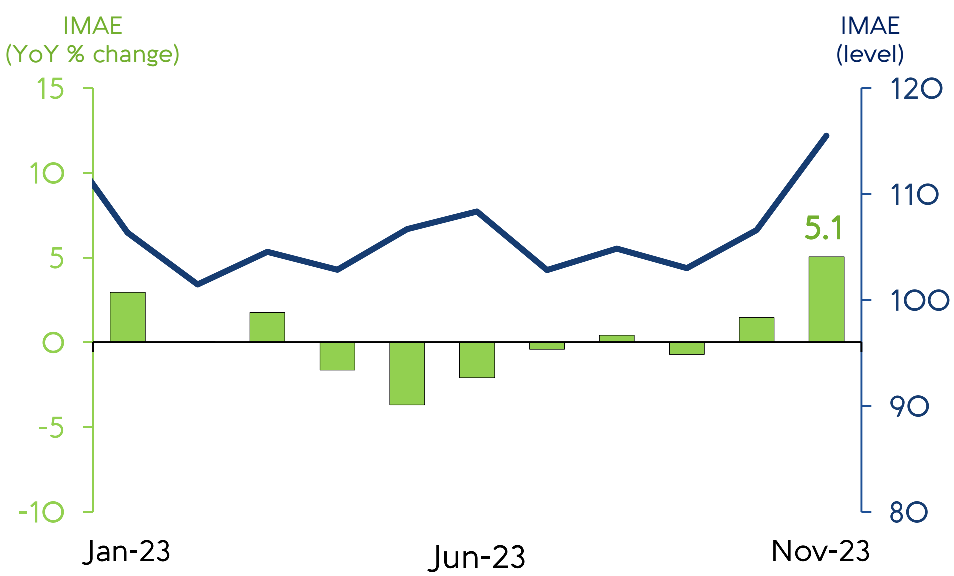


Industrial Production(2)

(YoY real change, in %)

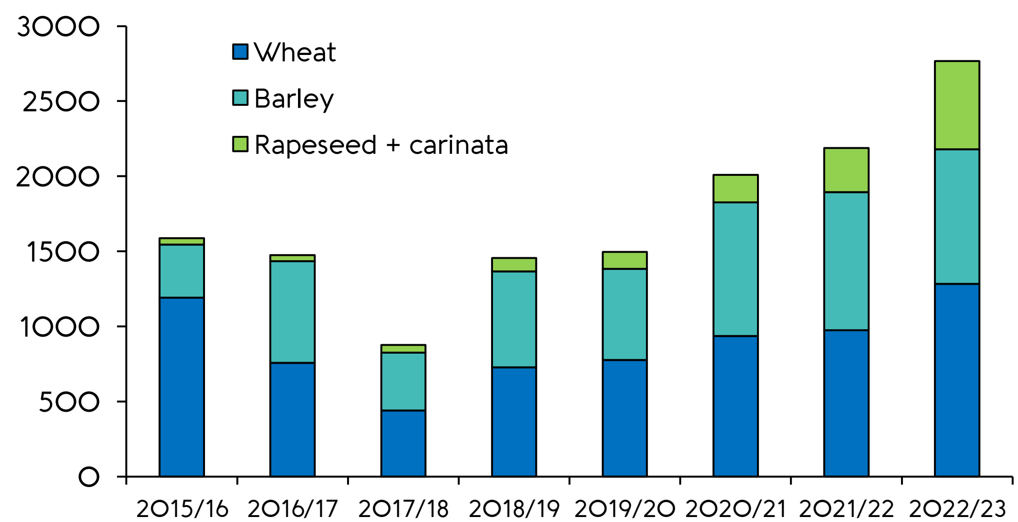


Monthly Economic Activity Indicator (IMAE)(3)



Winter crops production(4)

(In thousands of tons)



(1) *Source: BCU and CPA Ferrere, based on Bloomberg and National Institute of Meat (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.*

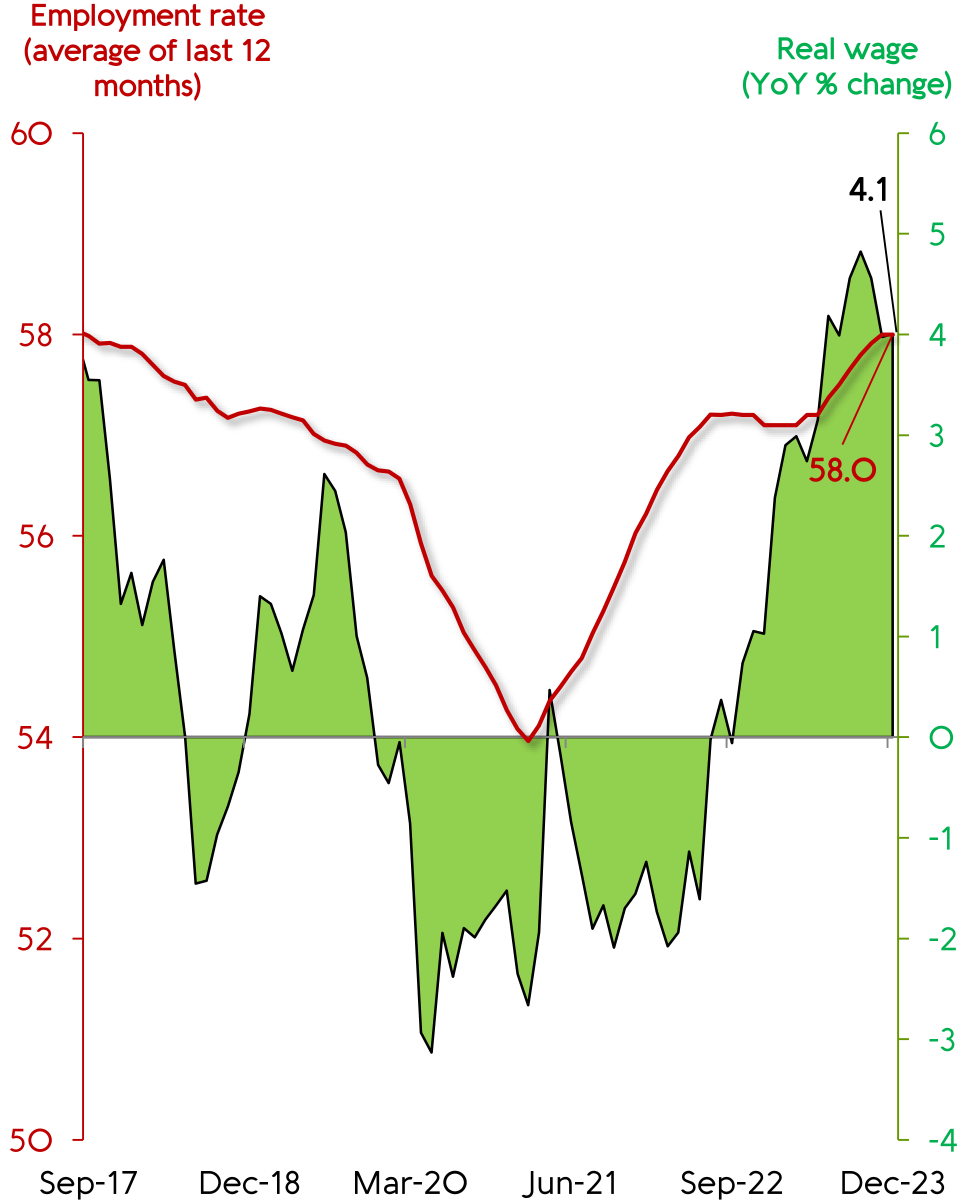
(2) *Source: Ministry of Economy and Finance calculations based on data from the National Institute of Statistics. Data excludes production from the state-owned refinery ANCAP.*

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

(4) *Agricultural Statistics Office (DIEA) of the Ministry of Livestock, Agriculture and Fisheries.*

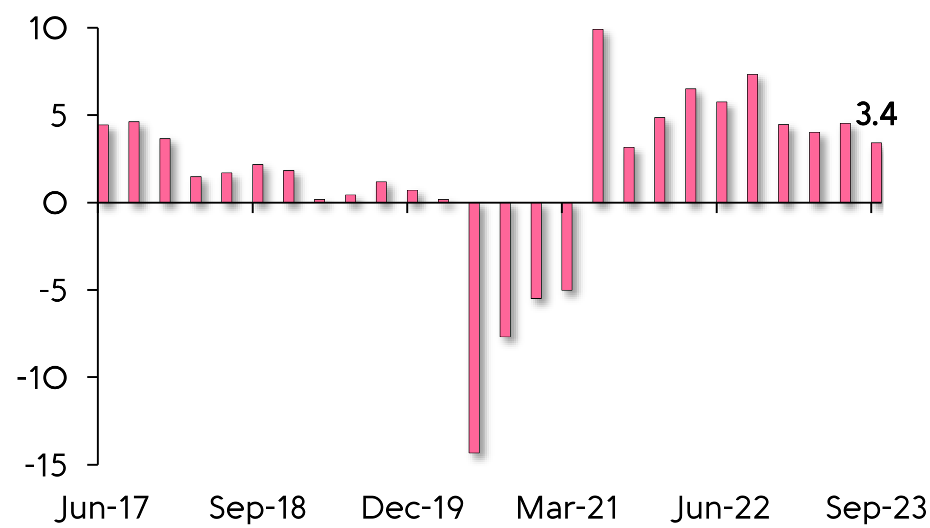
Strong labor market indicators reflected in an upturn in real income growth, has boosted consumer confidence and private consumption.

Employment and real wages(1)



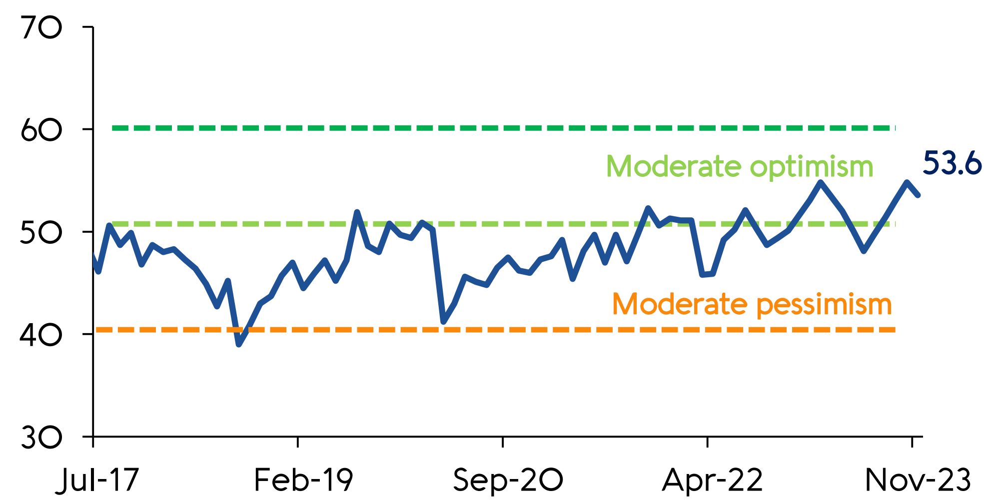
Household consumption(2)

(YoY real change, in %)



Consumer confidence(3)

(Overall index)

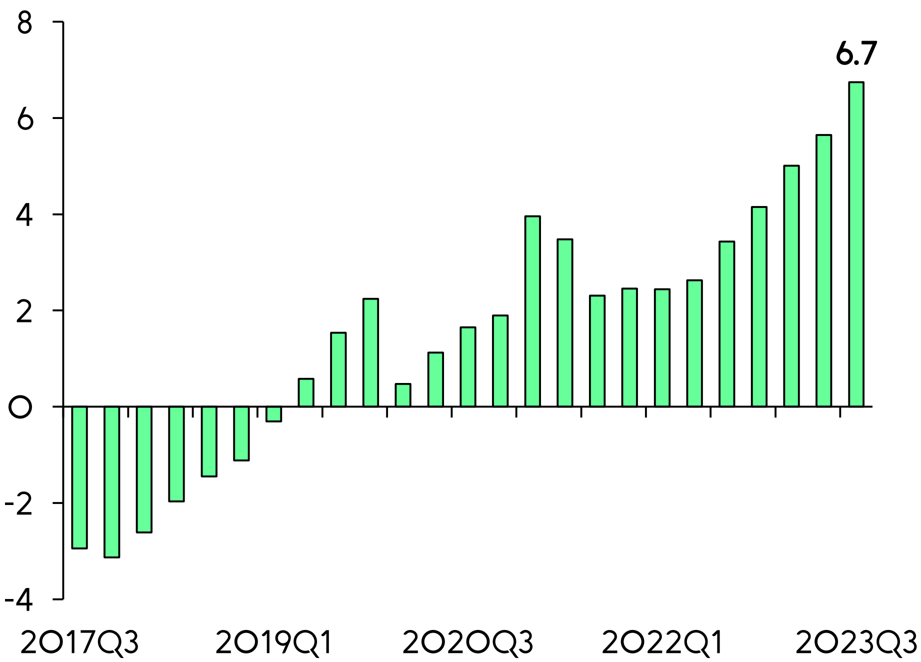


(1) Source: National Institute of Statistics.
(2) Source: Central Bank of Uruguay.
(3) Source: Equipos Consultores and Universidad Católica del Uruguay.

Uruguay offers a favorable environment for doing business, reflected in strong increase in FDI inflows and prospective large-scale renewable energy projects.

FDI net capital inflows(1)

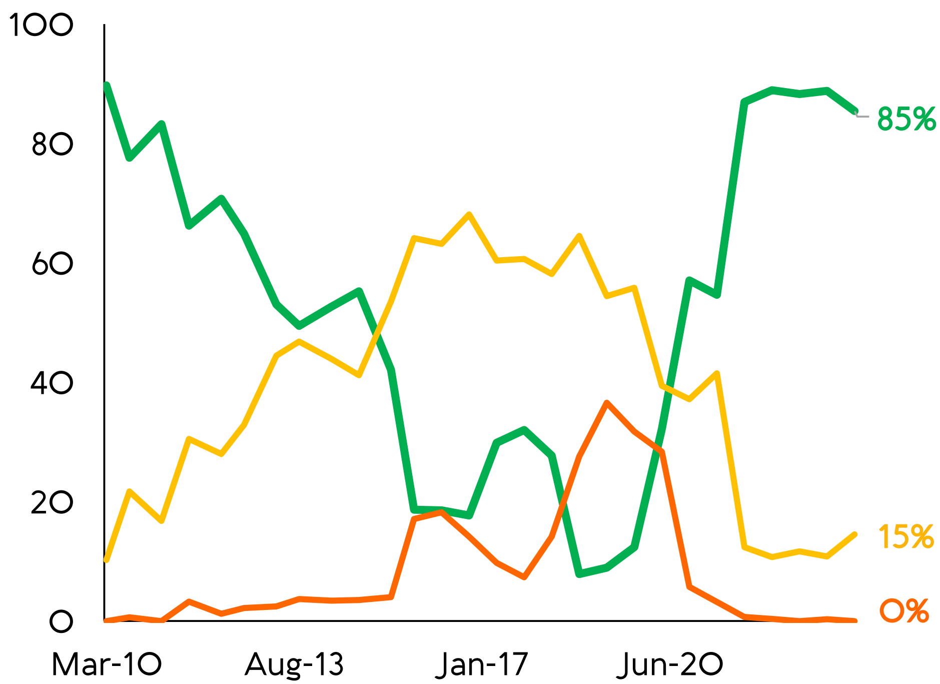
(Rolling 4-quarters, in % of GDP)



- On February 28, 2024, the Government and renewable energy company HIF Global signed a MoU to develop a **US$6 billion investment in infrastructure and renewable energy facilities designed to produce e-fuels using green hydrogen and captured biogenic carbon dioxide.**
- In November 2023, the Uruguayan Government presented the strategy for the green hydrogen sector and its derivatives, detailed in a roadmap to the year 2040.

Assessment of Business Environment in Uruguay(2)

(In % of total answers)



According to **Euromoney (2022)** Uruguay is ranked:

#1 the safest country in Latin America to invest in. .

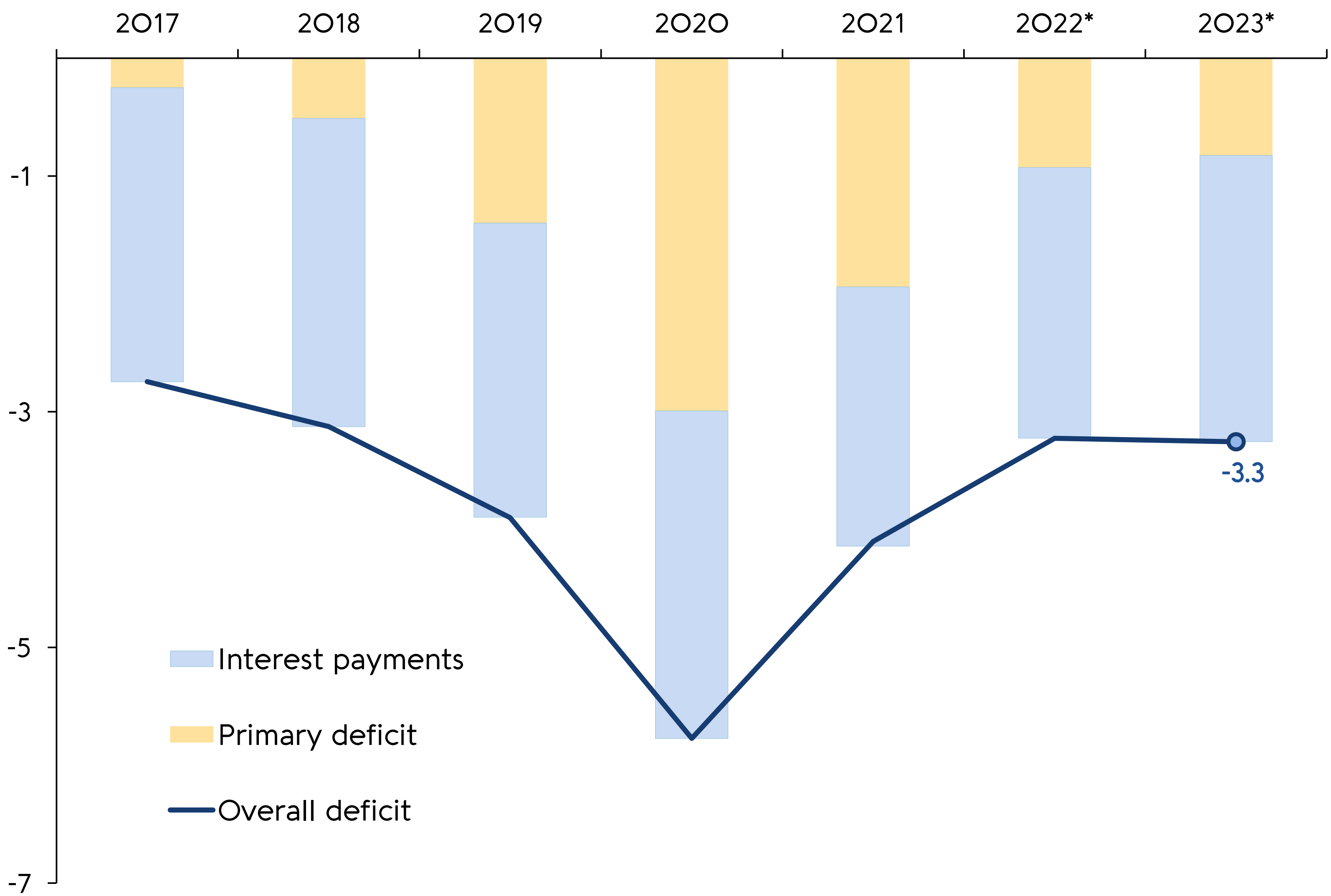
#18 the safest country on the planet to invest in.

(1) *Source: Central Bank of Uruguay.*
(2) *Source: Consultora ExAnte..*

The fiscal balance outturn in 2023 was broadly aligned with the forecast in the Budget.

Central Government`s fiscal balance

(In % of GDP)



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.

(*)For 2022 and 2023, annual nominal GDP figures are MoF estimates and projections; official annual GDP figures for 2023 (and revisions for annual GDP for 2022) will be released in March 2024

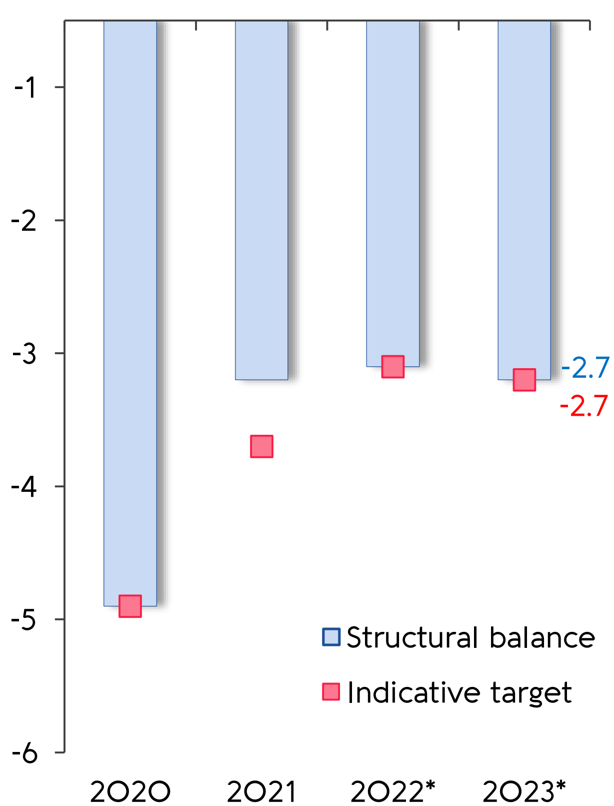
The three pillars of the Fiscal Rule were met in 2023, for the fourth consecutive year, underpinning fiscal credibility.

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

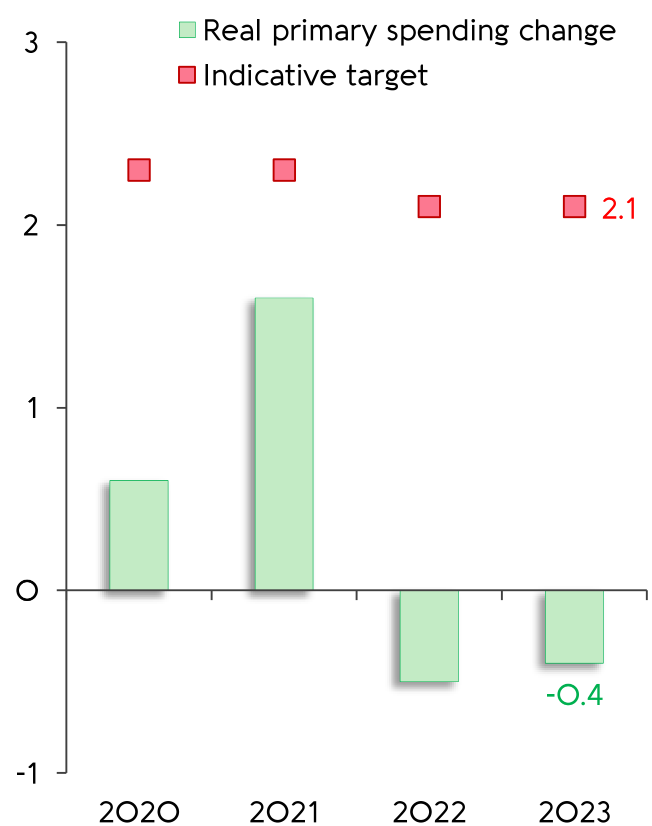
Indicative target cap on real growth in primary expenditure in line with estimated potential real GDP growth

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

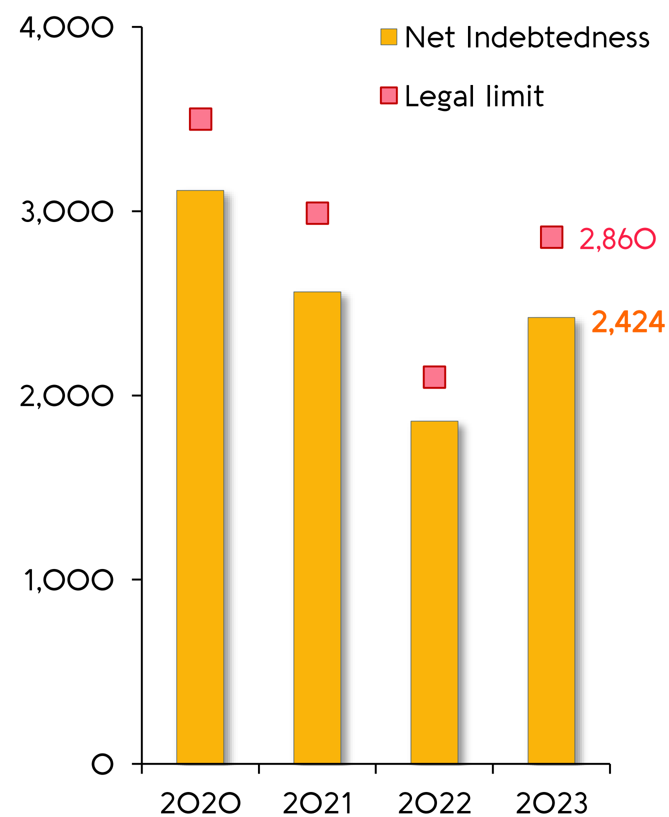
Structural balance(1)
(In % of GDP)



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.

(*) For 2022 and 2023, annual nominal GDP figures are MoF estimates and projections; official annual GDP figures for 2023 (and revisions for annual GDP for 2022) will be released in March 2024.

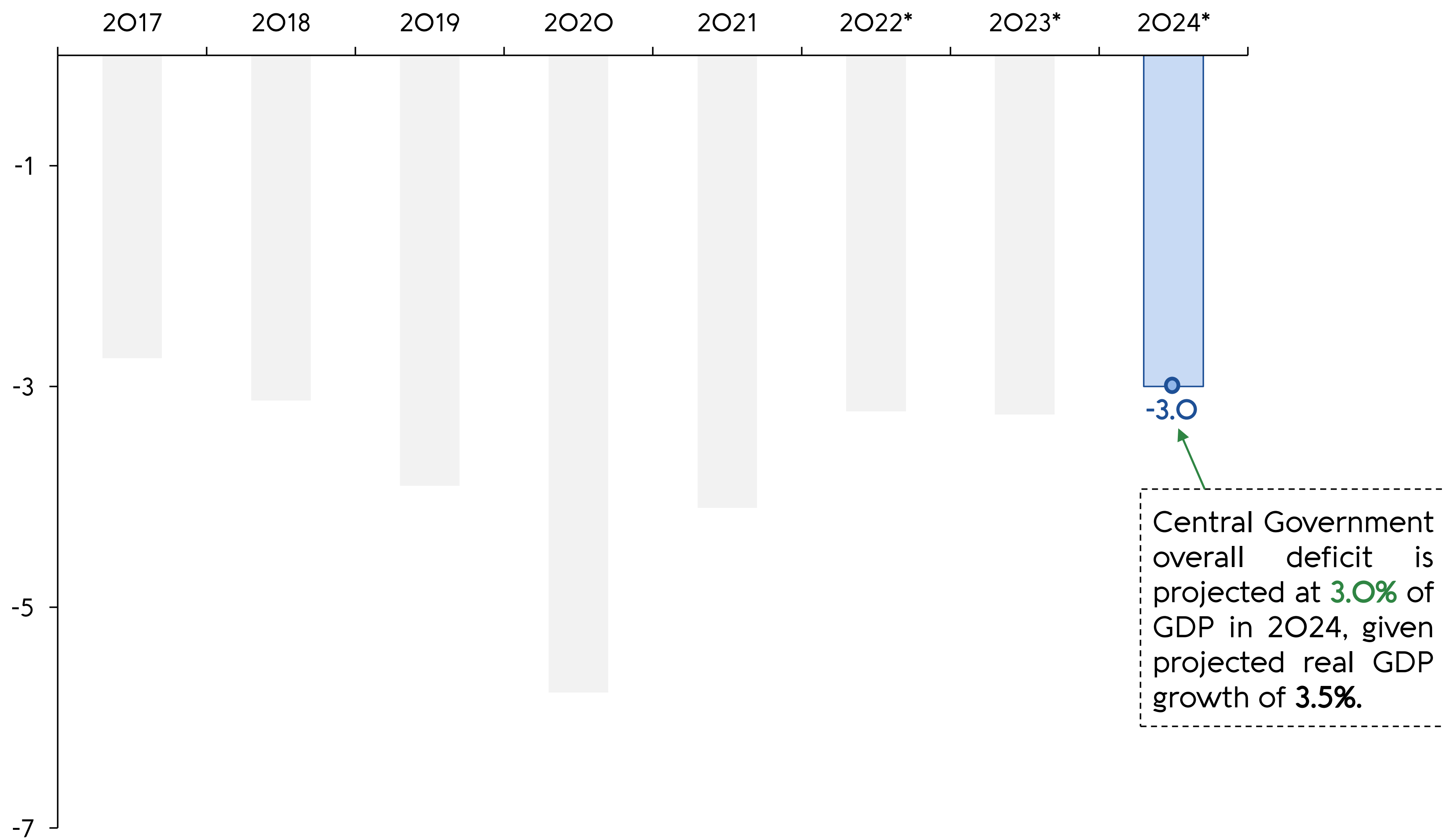
(2) Potential real GDP growth rate for 2023 estimated at 2,1% (i.e. the indicative target for real primary spending growth is 2.1%). For subsequent years, potential real GDP growth estimated at 2,8%.

(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 change in Central Government's financial assets, during the fiscal year.

The fiscal projection for 2024 implies a reduction in the headline fiscal deficit as a share of GDP, compared to 2023.

Central Government`s fiscal balance

(In % of GDP)

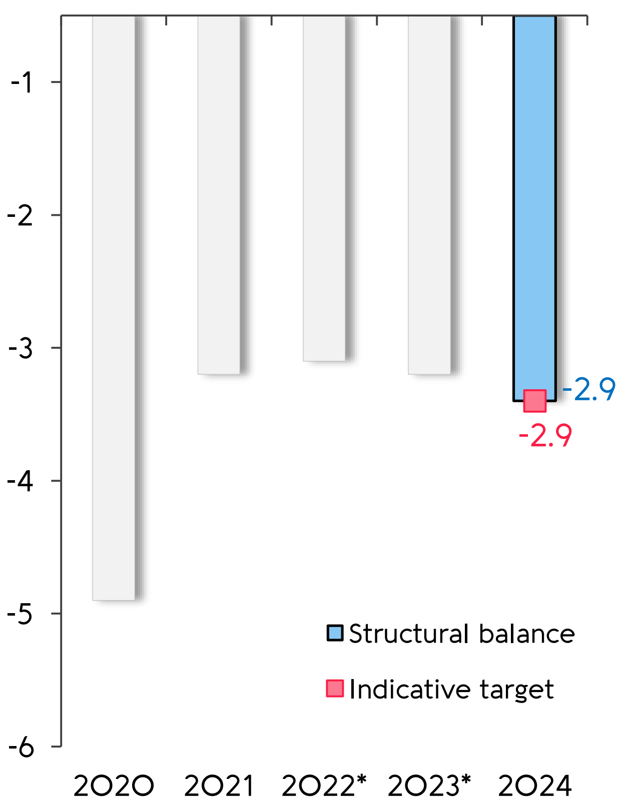


Source: Ministry of Economy and Finance of Uruguay and Central Bank of Uruguay. Does not Include extraordinary inflows to the Social Security Trust Fund.
(*) For 2022 ,2023 and 2024, annual nominal GDP figures are MoF estimates and projections; official annual GDP figures for 2023 (and revisions for annual GDP for 2022) will be released in March 2024.

Targets for the three pillars of the fiscal rule are set for 2024.

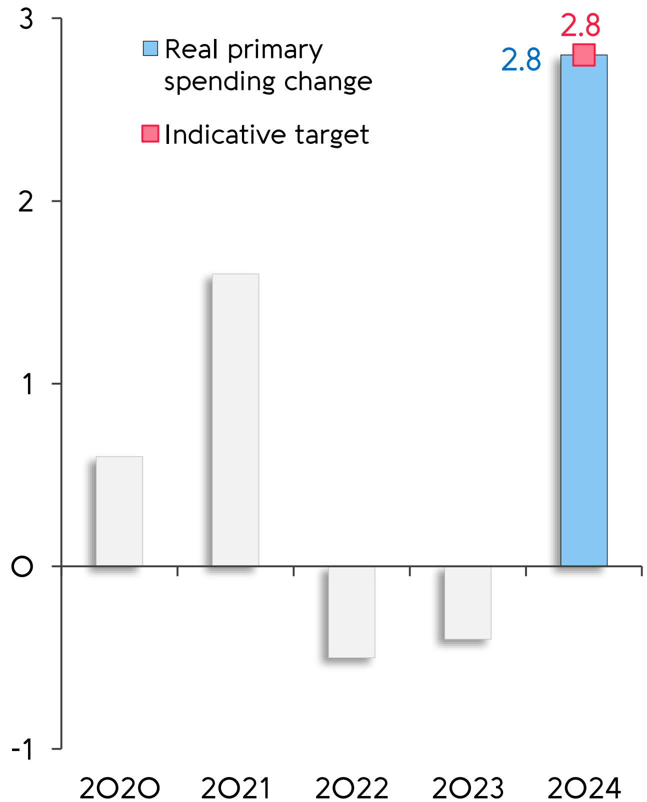
Indicative target on structural fiscal balance.

Structural balance(1)
(In % of GDP)



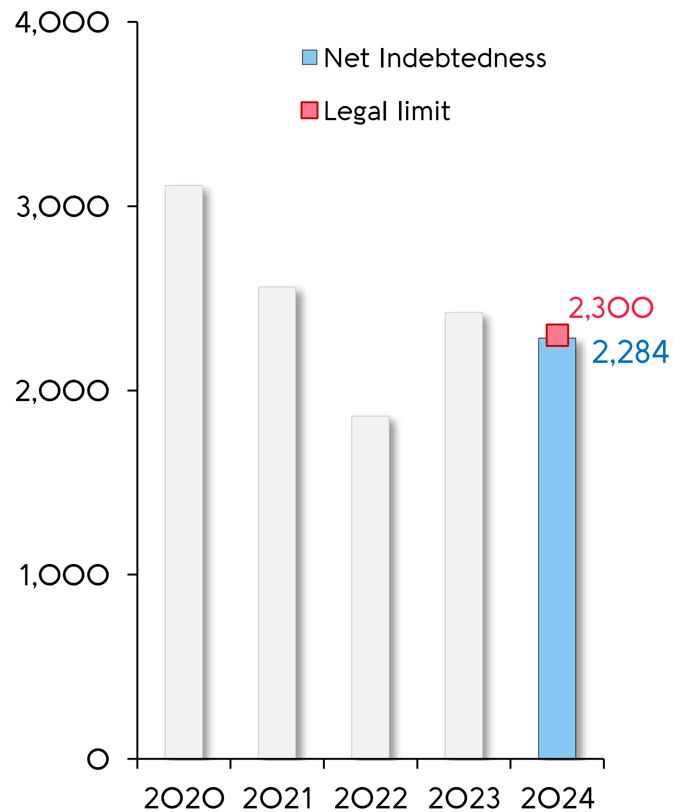
Indicative target cap on real growth in primary expenditure.

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



Legally binding maximum level of annual net indebtedness.

Net indebtedness(3)
(USD mm)



Source: Ministry of Economy and Finance of Uruguay,

(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.
(*)For 2022 and 2023, annual nominal GDP figures are MoF estimates and projections; official annual GDP figures for 2023 (and revisions for annual GDP for 2022) will be released in March 2024.
(2) Potential real GDP growth rate for 2023 estimated at 2,1%. For subsequent years, potential real GDP growth estimated at 2,8% (i.e. the indicative cap for real primary spending growth is 2.8%) .
(3) For 2024, the legal net indebtedness cap is USD 2,300 million.

3

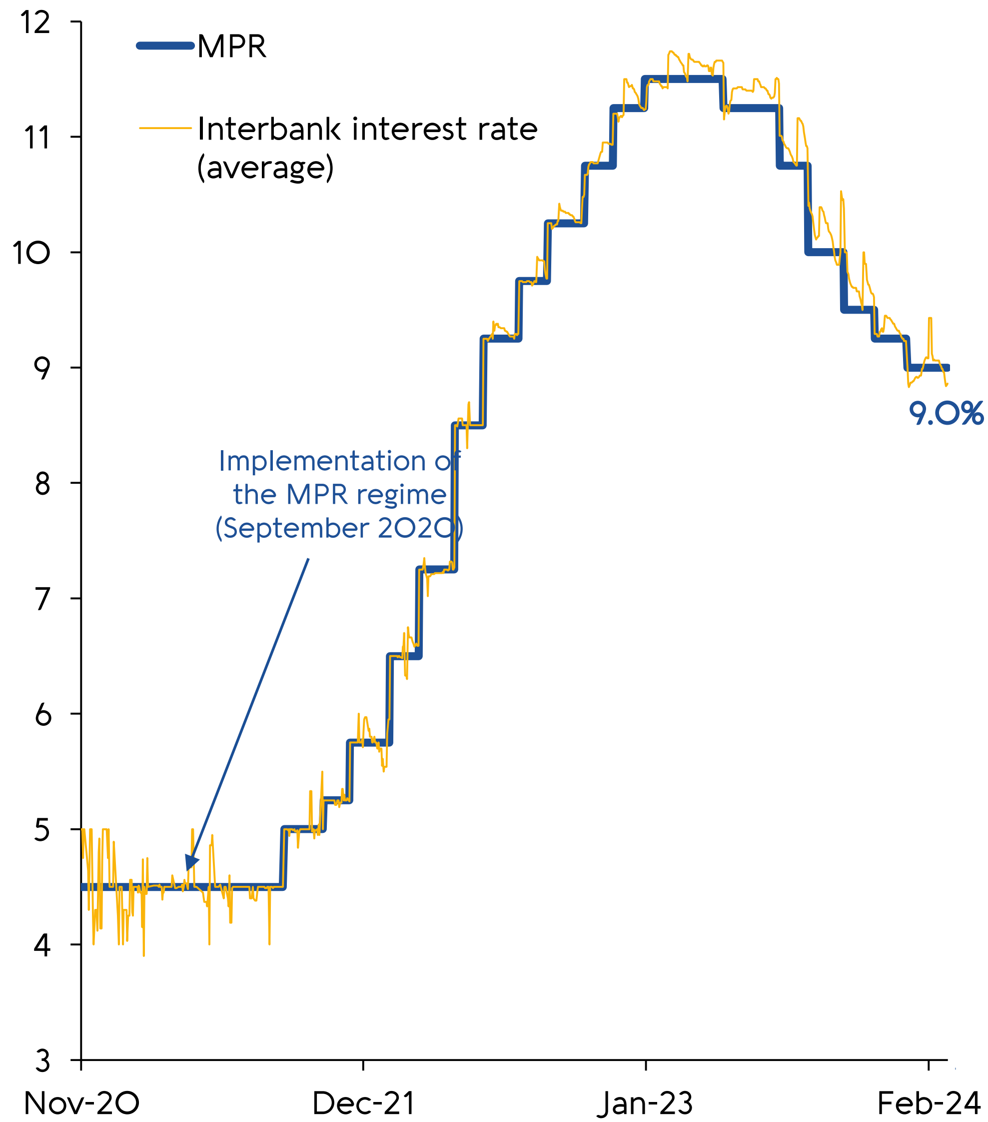
Monetary policies focused on reducing inflation and anchoring inflation expectations within target band.

- 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 contractionary monetary policy starting at the end of 2021 bore fruit and made it possible, a year later, to gradually lower the reference rate; FX has showed relatively low volatility.

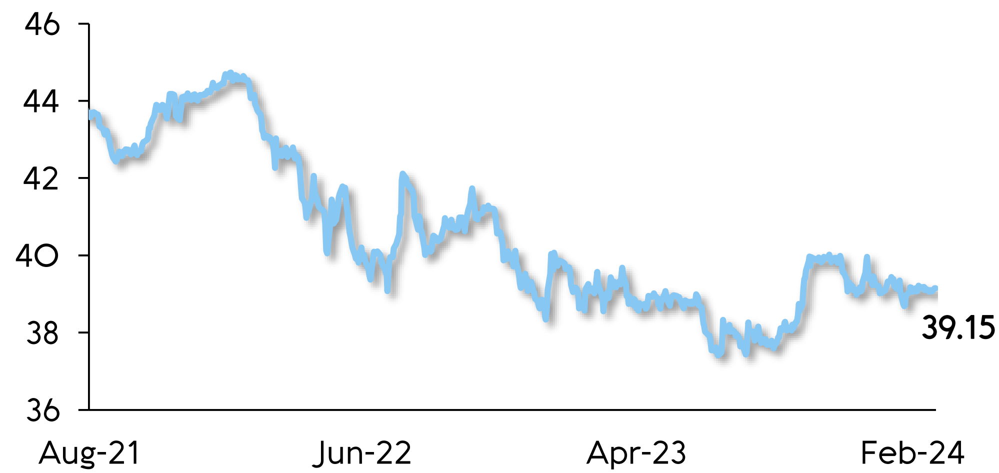
Monetary Policy Rate (MPR) and interbank interest rate(1)

(In %)



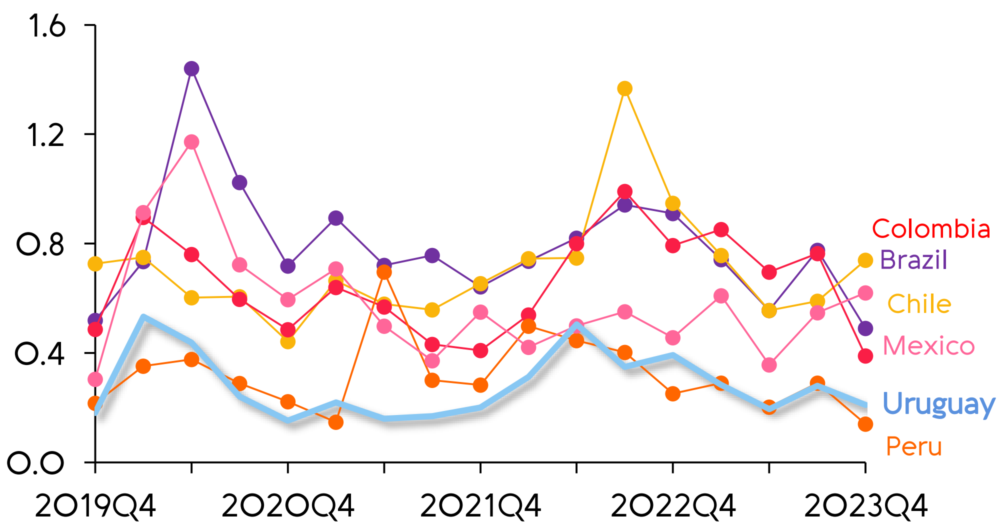
Nominal exchange rate(2)

(Uruguayan pesos per dollar, daily. As of end-February 2024)



Nominal exchange volatility in LatAm(3)

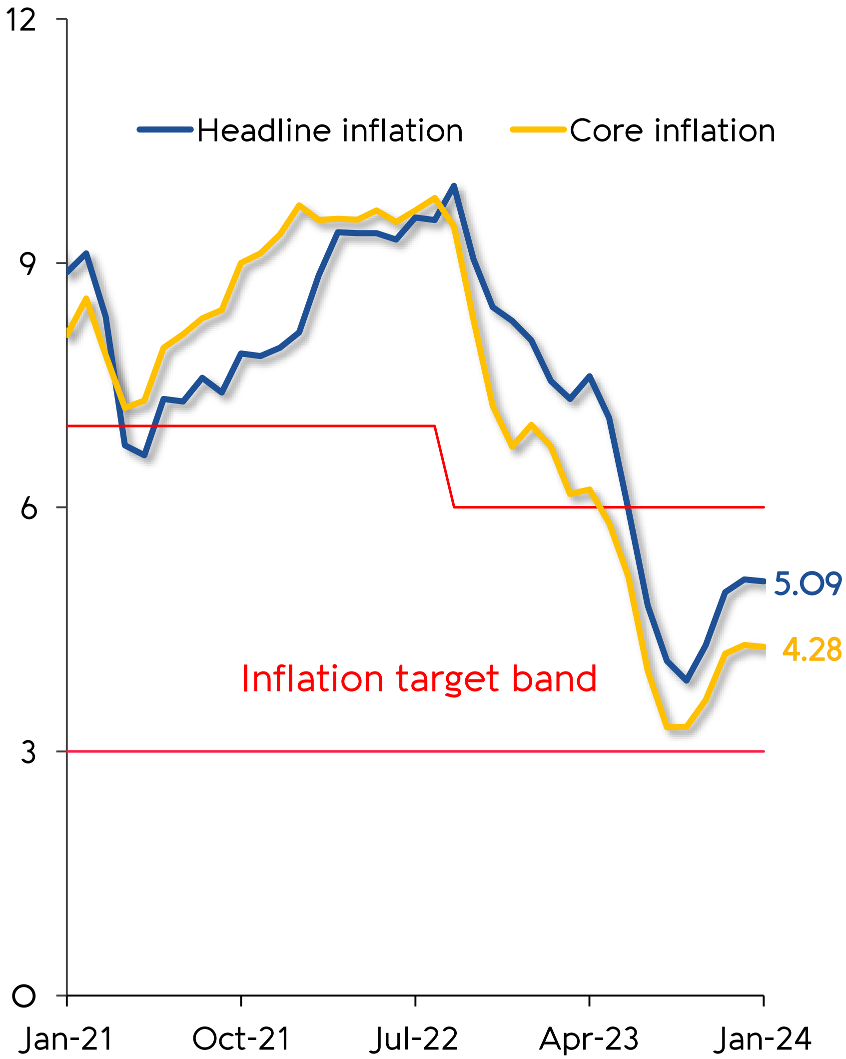
(Quarterly average of the absolute value of daily percent changes)



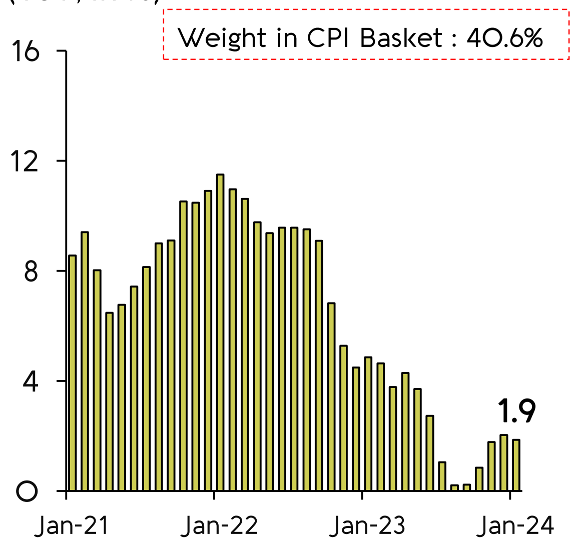
(1) Source: Central Bank of Uruguay. Before September 2020, the monetary policy instrument was growth in M1 monetary aggregate.
(2) Source: Central Bank of Uruguay.
(3) Source: own calculations based on Bloomberg. Regional and country specific information is as aggregated or reported, as applicable. 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 continues to remain within the target band, for the eighth consecutive month.

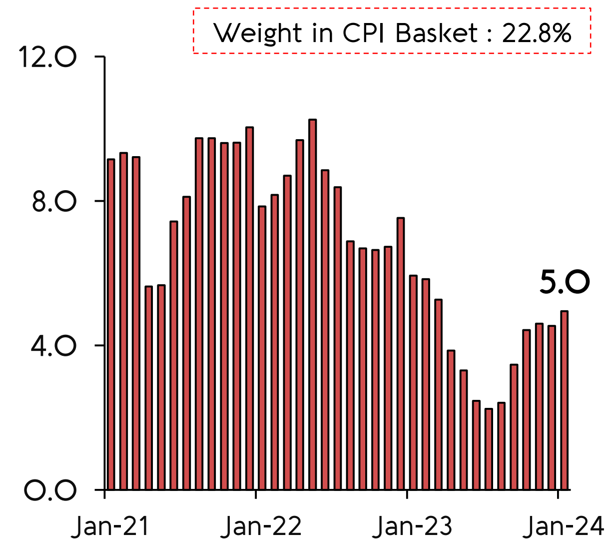
Headline inflation[1]
(YoY, in %)



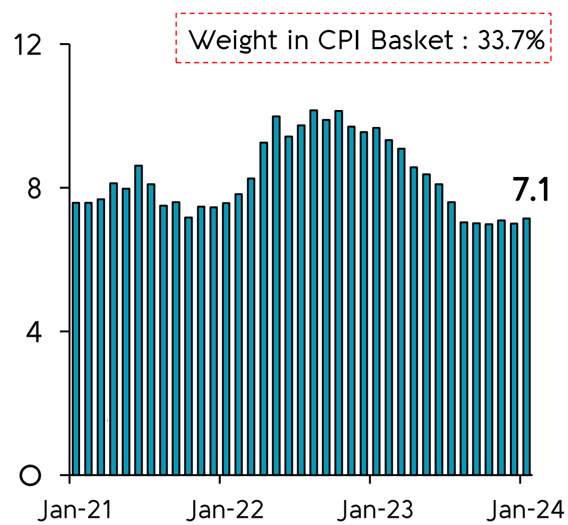
Tradable inflation[2]
(YoY, in %)



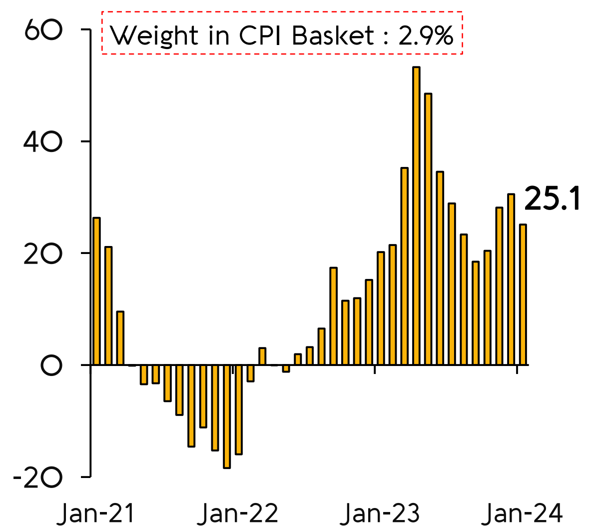
Administered prices inflation[2]
(YoY, in %)



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



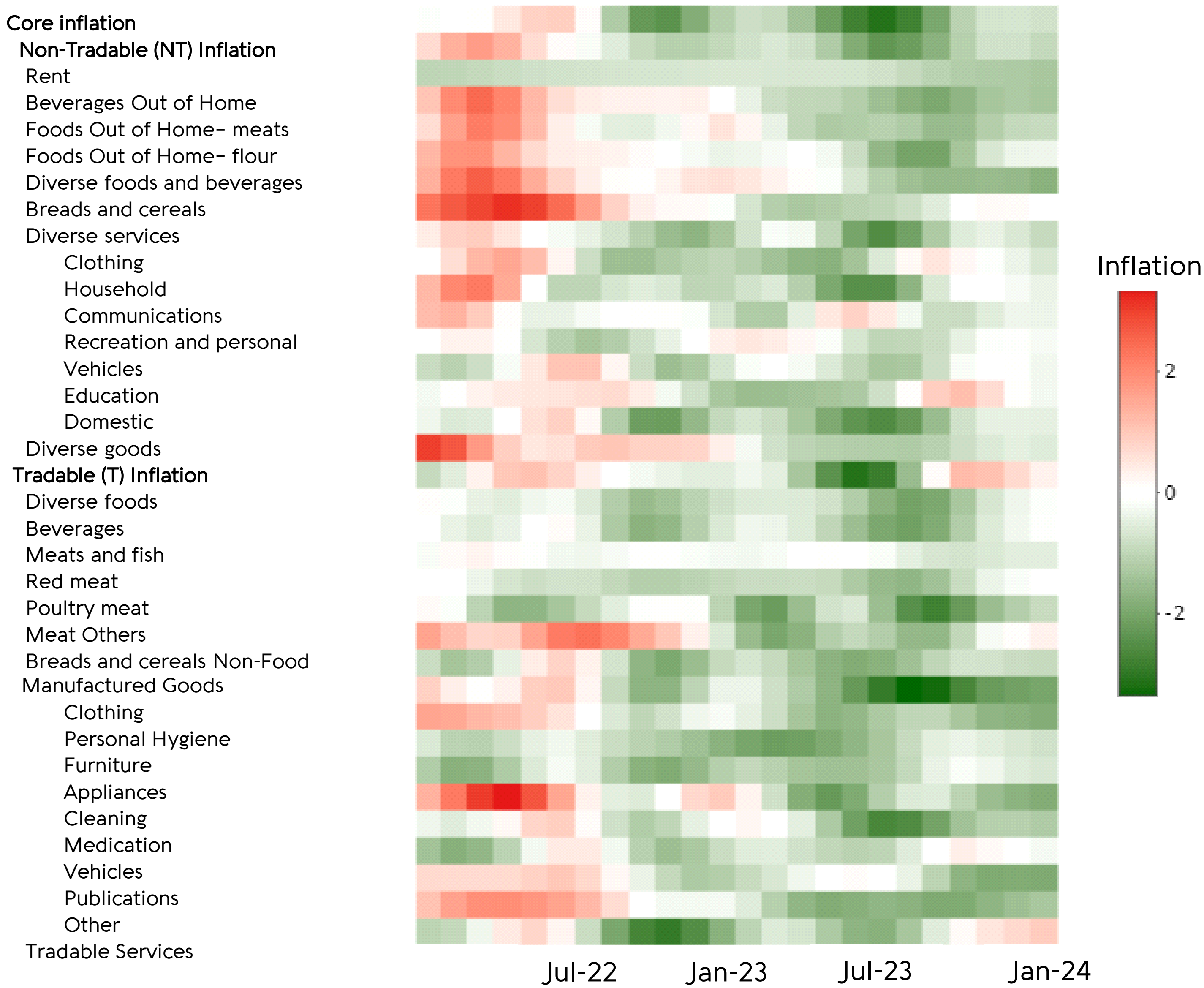
Fruits and vegetables inflation[2]
(YoY, in %)



(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



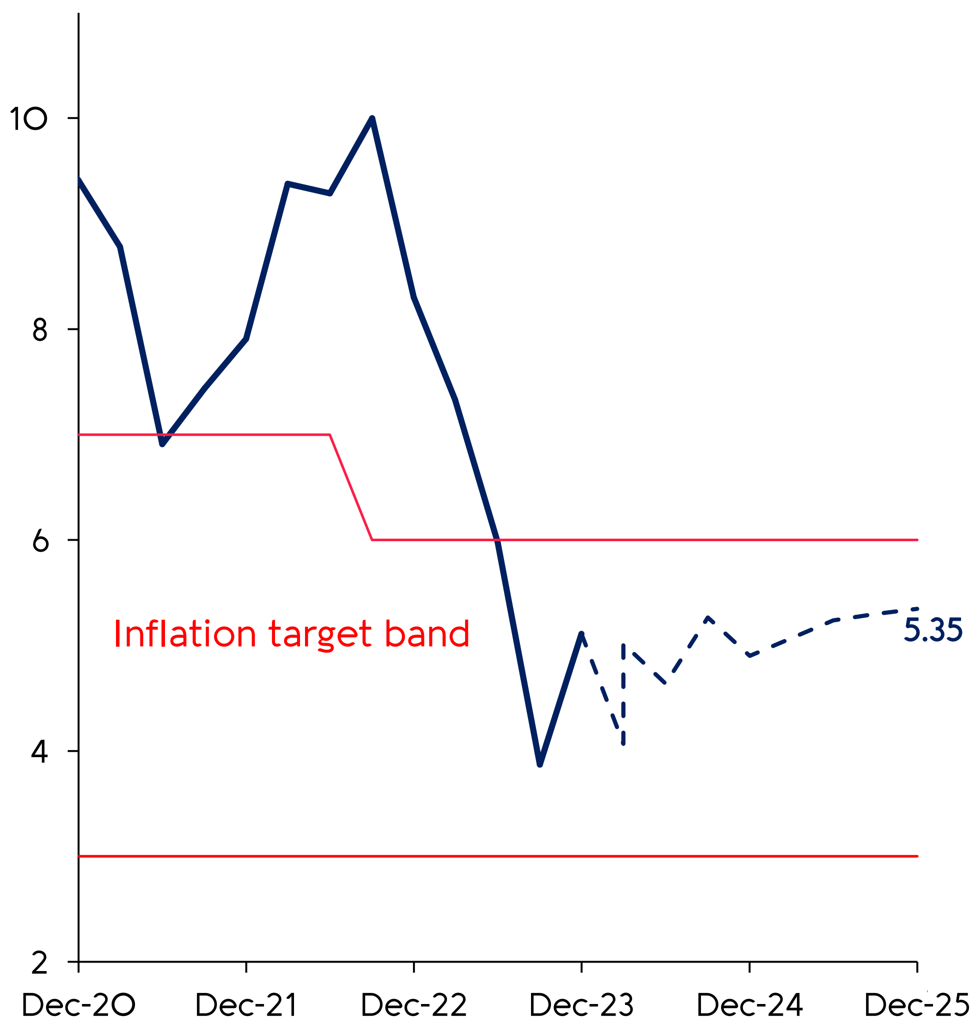
Note: The data series for each inflation item is adjusted for seasonal variation and standardized relative to the historical average of Trend-cycle component.

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

Consumer prices outturn aligns with Central Bank`s projections; inflation expectations have fallen to historic lows.

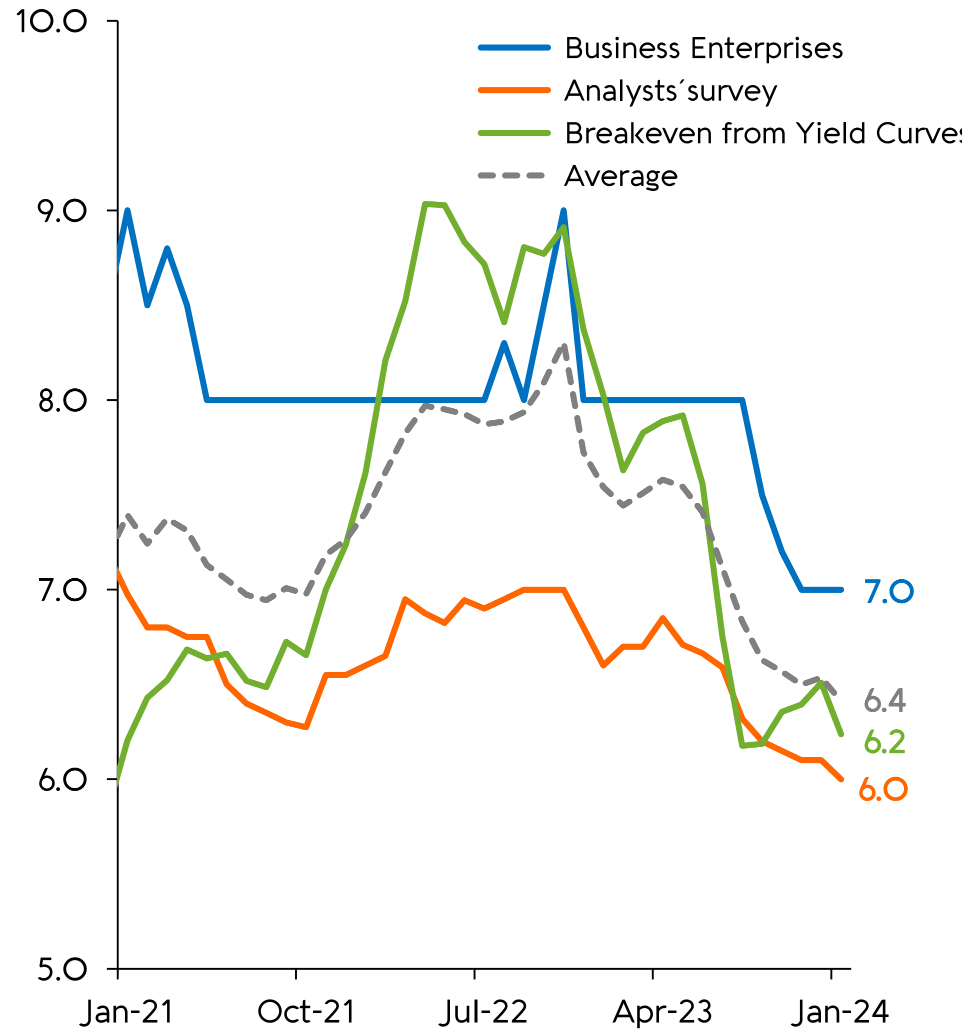
Central Bank´s projected inflation path[1]

(YoY in %, quarterly frequency)



Inflation expectations[2]

(24-month ahead, median)



(1) Source: Source: Central Bank of Uruguay. Quarterly forecasts of the baseline scenario as of December 2023.

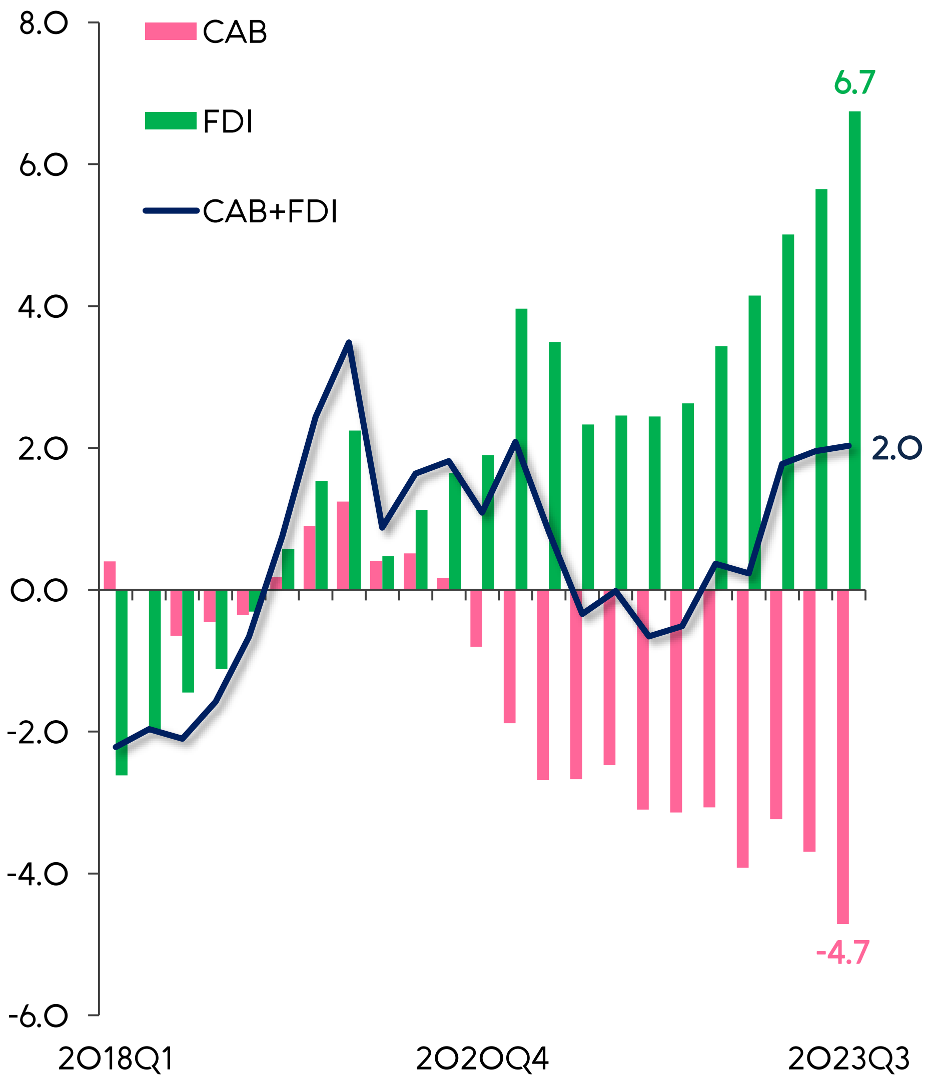
(2) Source: Central Bank of Uruguay and National Institute of Statistics. As of February 2024.

4

Current account deficit has widened on the back of lower trade balance on goods, although is fully financed by FDI.

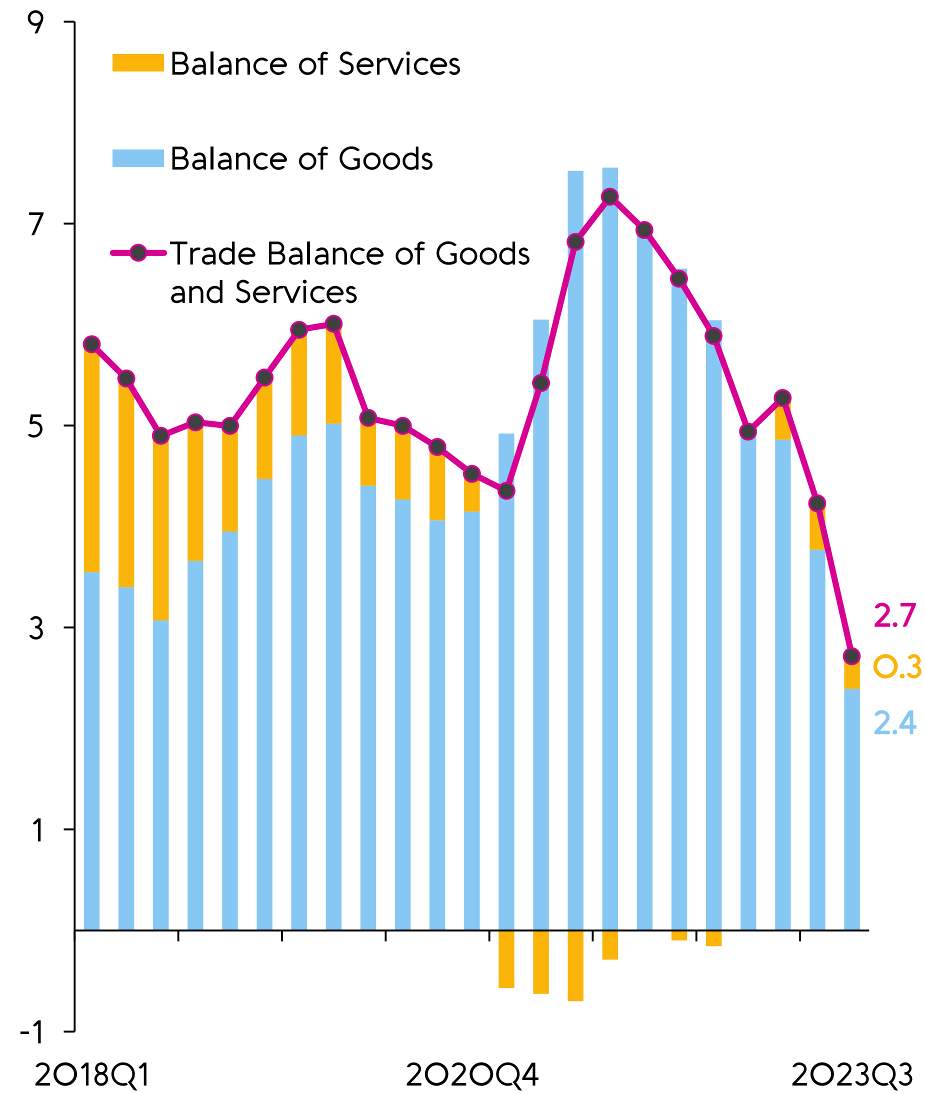
Current account balance and FDI

(Rolling 4-quarters, in % of GDP)



Goods and services balances

(Rolling 4-quarters, in % of GDP)

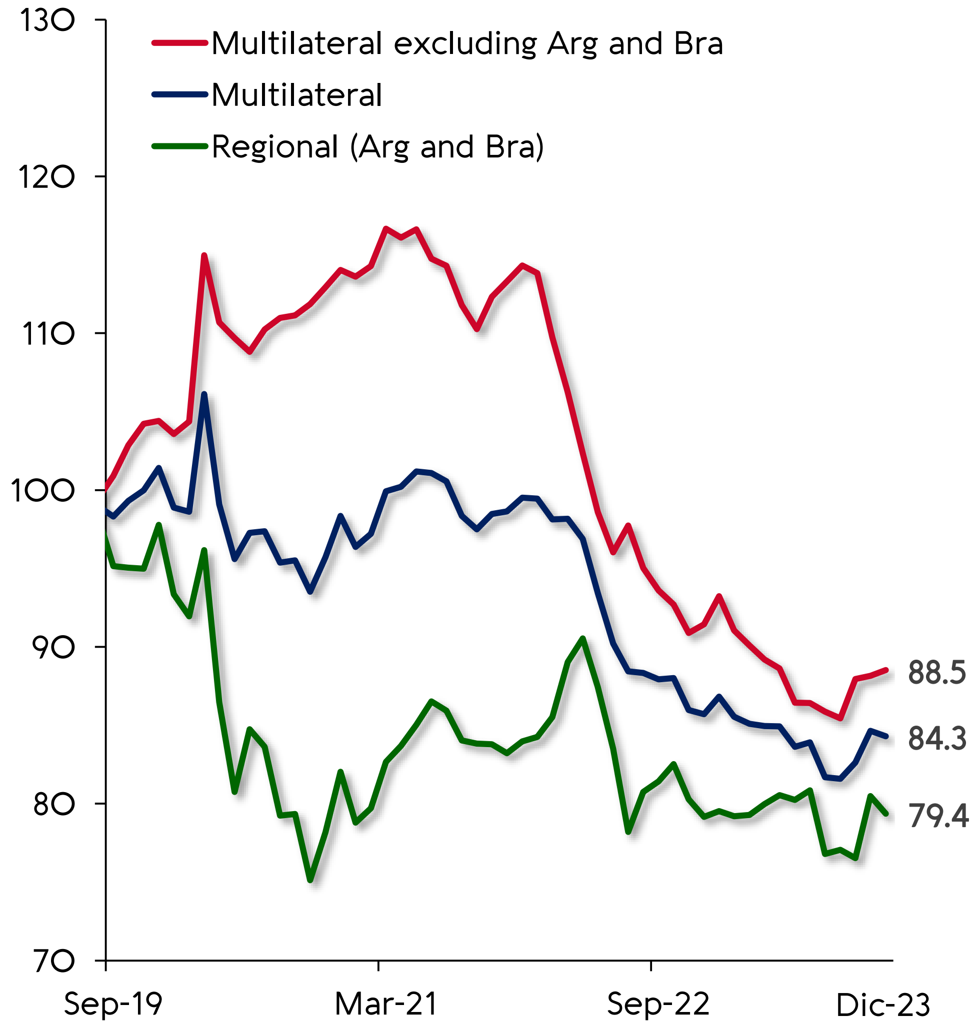


Source: Central Bank of Uruguay.

Large international reserve buffers are a significant external backstop.

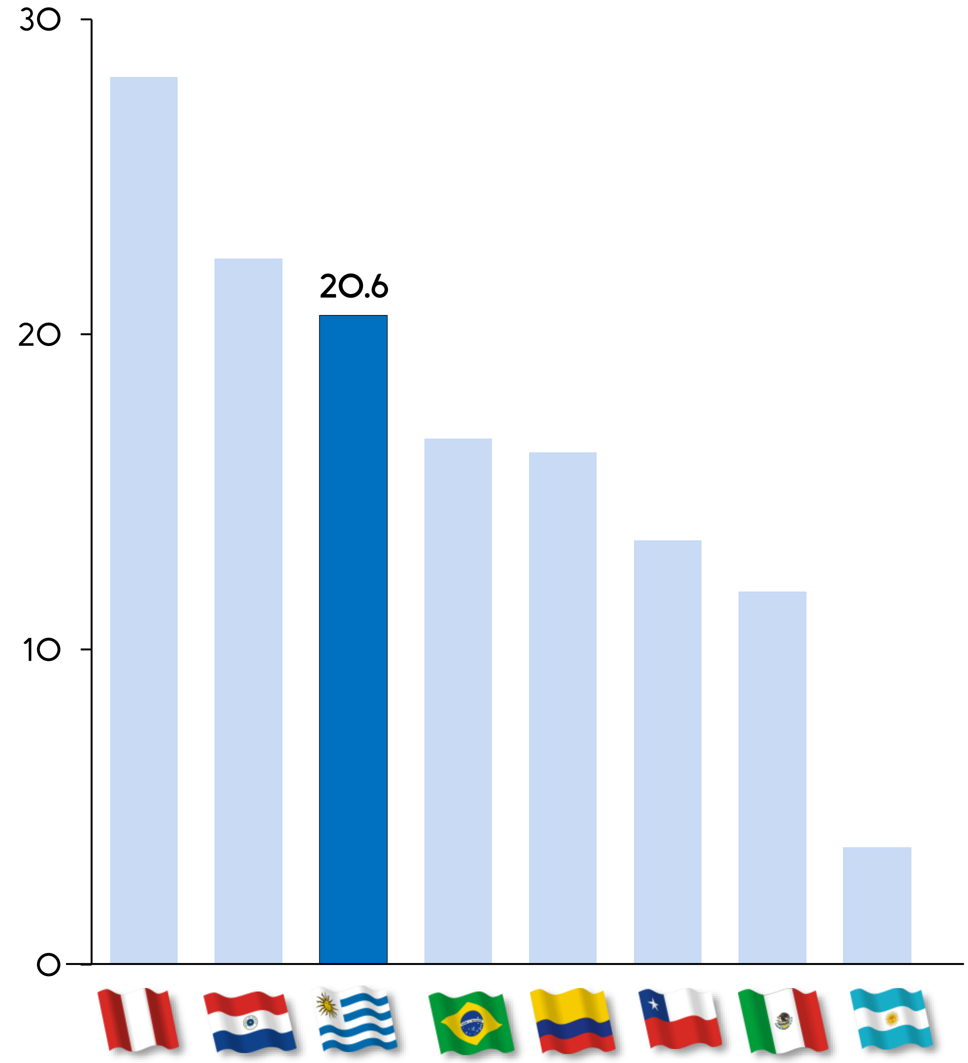
Real Effective Exchange Rate of Uruguay[(1)]

(Index base 100 = average 2019)



International reserves in Latam[(2)]

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

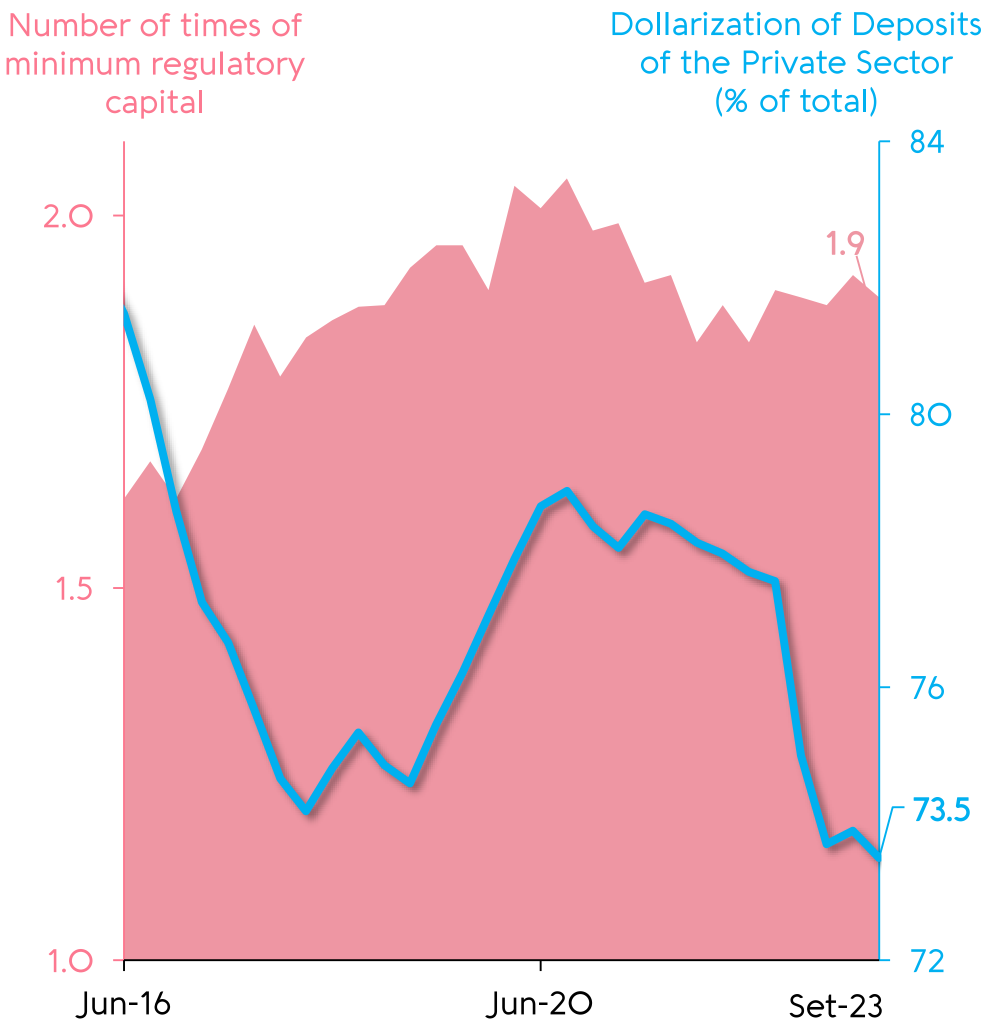


(1) Source: Central Bank of Uruguay.

(2) Source: International Monetary Fund, except for Uruguay, where international reserves correspond to data from Central Bank of Uruguay. International reserves for Peru, Colombia and Brazil correspond to end-January 2024. The nominal GDP in US dollars corresponds to 2023, based on WEO projections as of October 2023 except for Uruguay where nominal GDP correspond to data from Central Bank of Uruguay. 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.

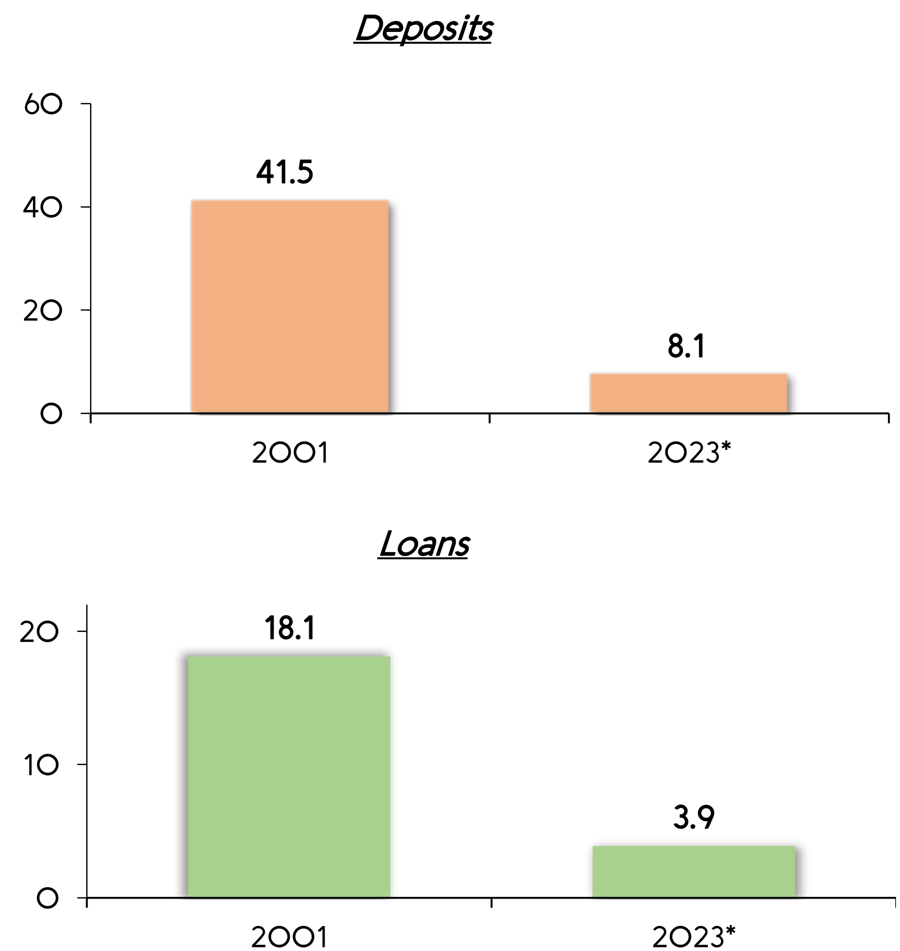
Banking sector remains well-capitalized, with high liquidity levels and low regional exposure, although with still-high deposit dollarization.

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 December 2023.

Source: Central Bank of Uruguay.

5

Government has forged 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
■ 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 2021 ■ Proposes additional expenditures for three specific areas: education, I+D and citizen security. ■ Provides for further public policies to foster long-term growth.	■ 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.

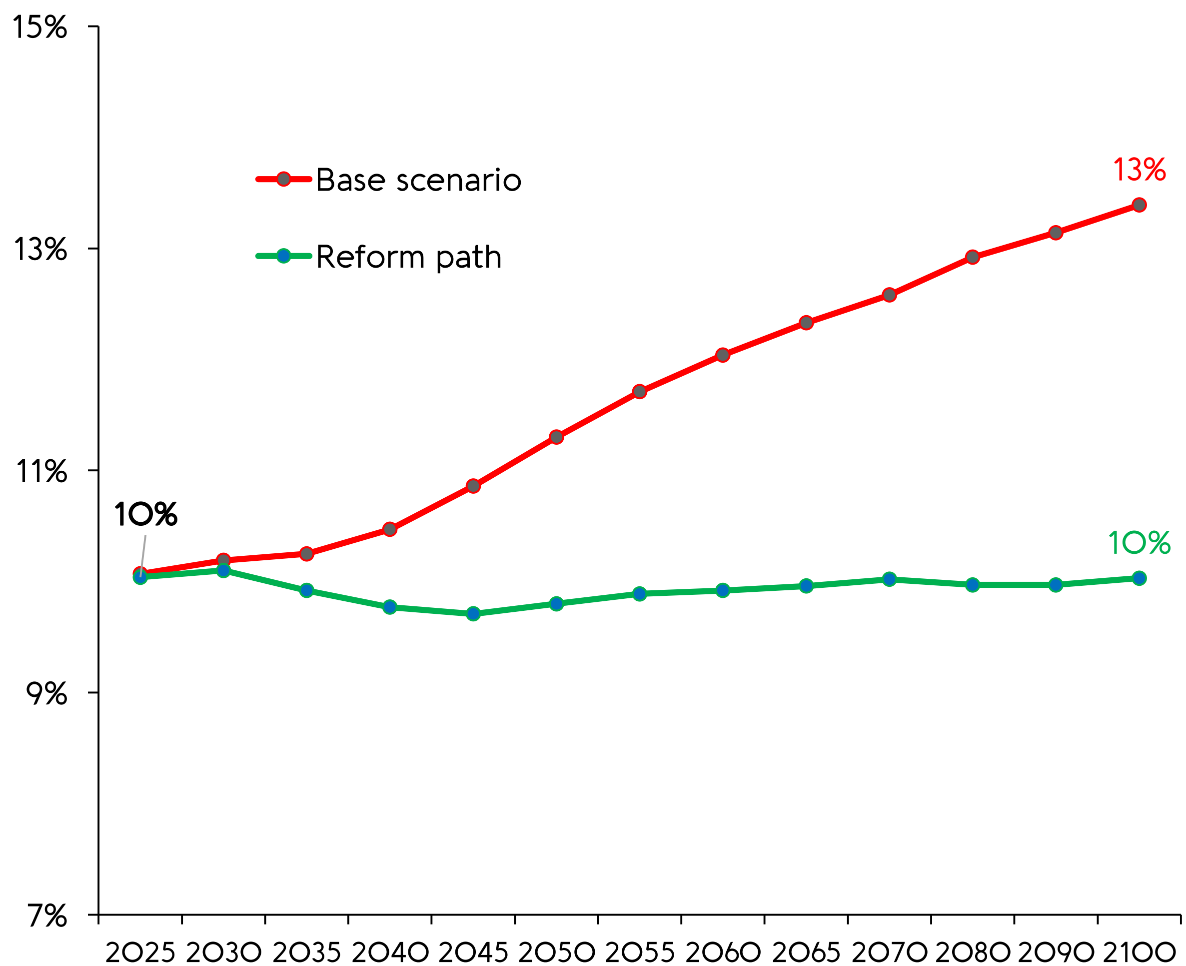
Source: Ministry of Economy and Finance of Uruguay.

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]

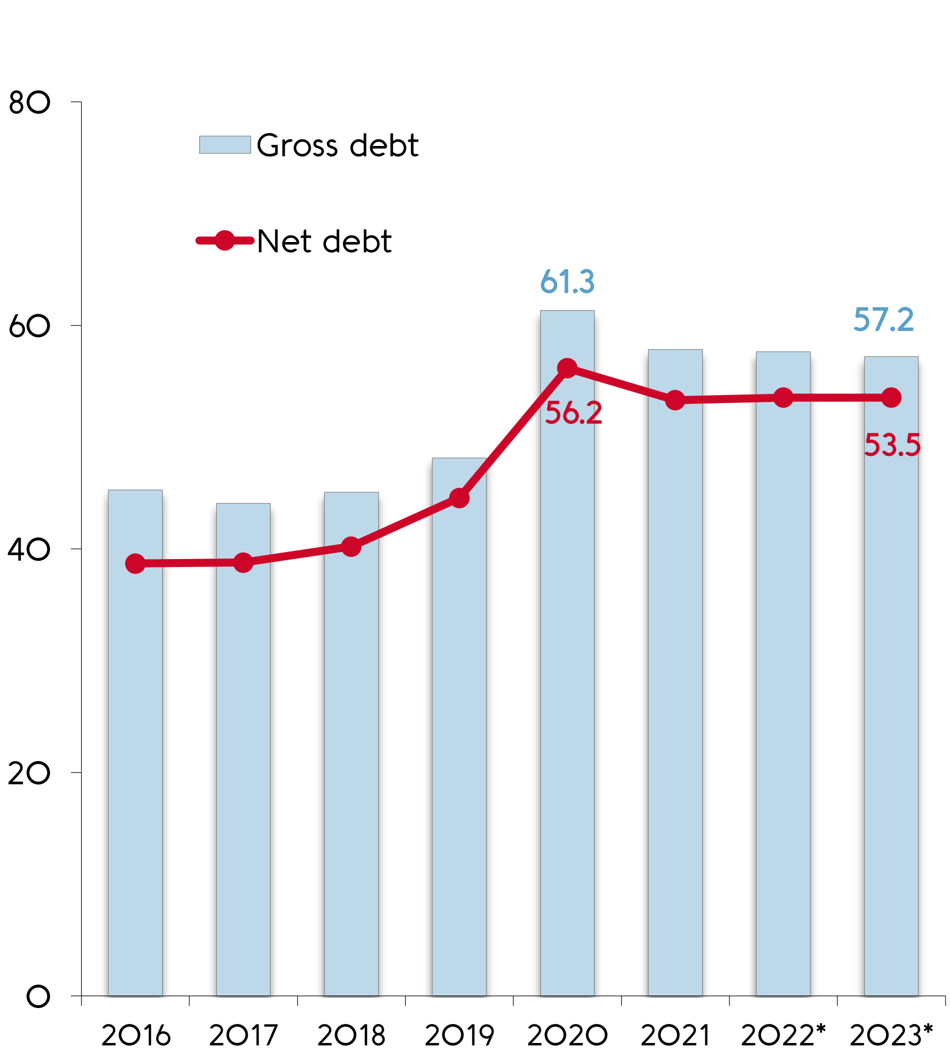
(In % of GDP)[5]



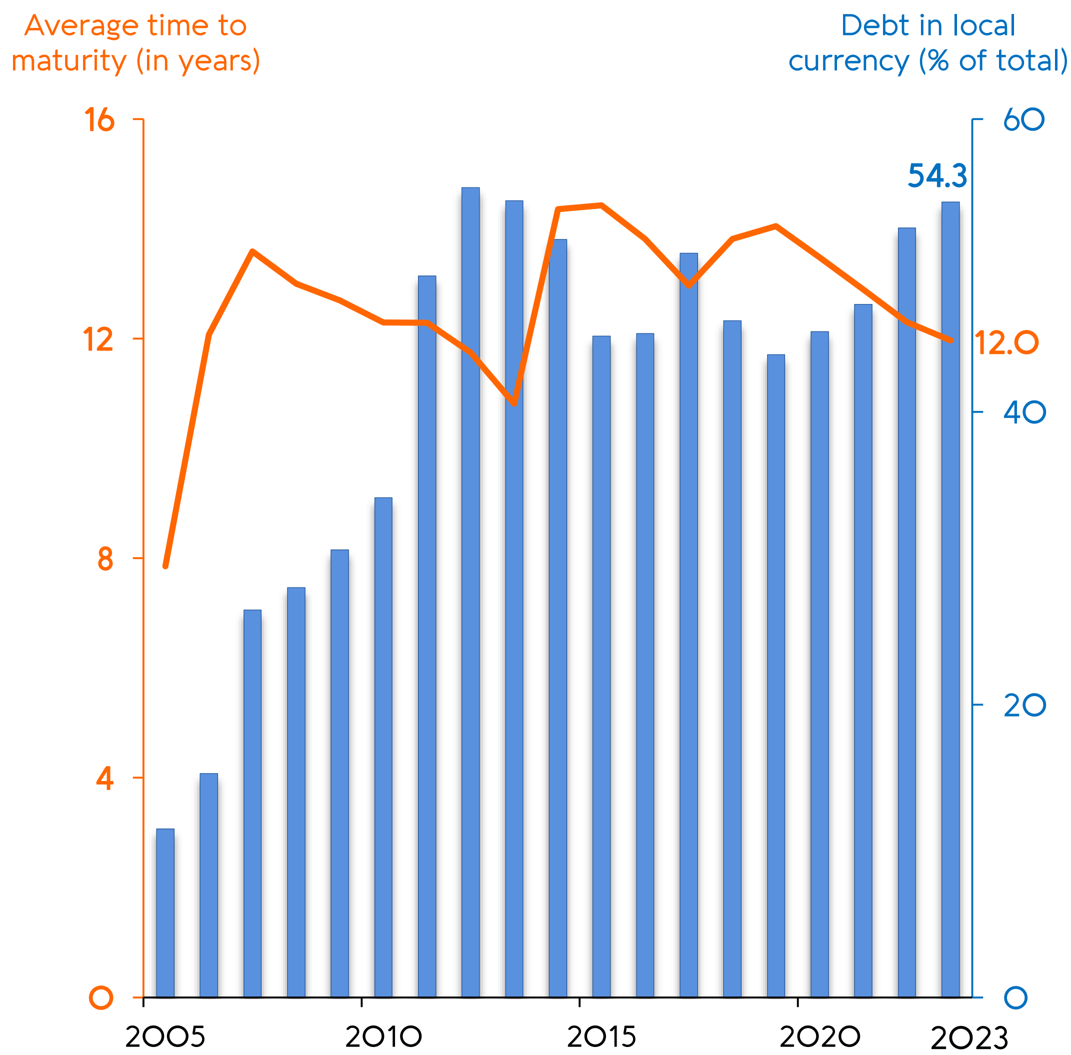
(1) The significant reduction in the number of births, coupled with the increasing life expectancy observed in our country, represents a rapid progress of demographic aging.
(2) Public spending on pensions is at relatively high levels and follows an unsustainable trajectory.
(3) The high fragmentation 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.

Government debt-to-GDP ratio decreased and stabilized 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.
(*)For 2022 and 2023, annual nominal GDP figures are MoF estimates and projections; official annual GDP figures for 2023 (and revisions for annual GDP for 2022) will be released in March 2024

Central Government´s funding needs and financing sources.

Flow of funds

(Annual, in USD million)

	2023 (*)	2024 (Proj.)
FINANCING NEEDS	**5,365**	**4,752**
Primary Deficit[1/]	652	415
Interest Payments[2/]	1,898	2,080
Amortizations of Bonds and Loans[3/]	2,838	2,068
Change in Financial Assets	-23	189
FUNDING SOURCES	**5,365**	**4,752**
Disbursements from Multilaterals and Fin. Instit.	1,011	616
Total Issuance of Market Debt[4/]	4,228	3,925
Others (net)[5/]	126	211

Memo Item : Government Net Indebtedness (GNI)	2,424	2,284

(*) 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 the net effect of financing operations that do not have an impact on gross debt statistics; valuation effects from bond issuance prices above or below par; and financial sources of cash increases for the Treasury that do not entail a government revenue in fiscal statistics.
Source: Ministry of Economy and Finance of Uruguay.

Cornerstones of debt management strategy and sustainable financing goals for 2024.

- **Domestic markets.** Deepening market depth through the issuance of nominal fixed-rate, CPI-linked and wage-linked Treasury Notes benchmarks, across different maturities. The DMU will maintain flexibility in its issuance of local securities, assessing changes in investor demand, in coordination with the Central Bank.

- **International Markets.** Calibrate the currency and maturity mix of international debt issuance (in nominal pesos, CPI-linked and/or Dollars, either in the belly or long-end of the curve). The strategy will factor, inter alia: (i) resident and non-resident investor's preferences for type of currency, liquidity and duration and (ii) the government's goal to reduce the expected cost of funding while keeping a well distributed amortization.

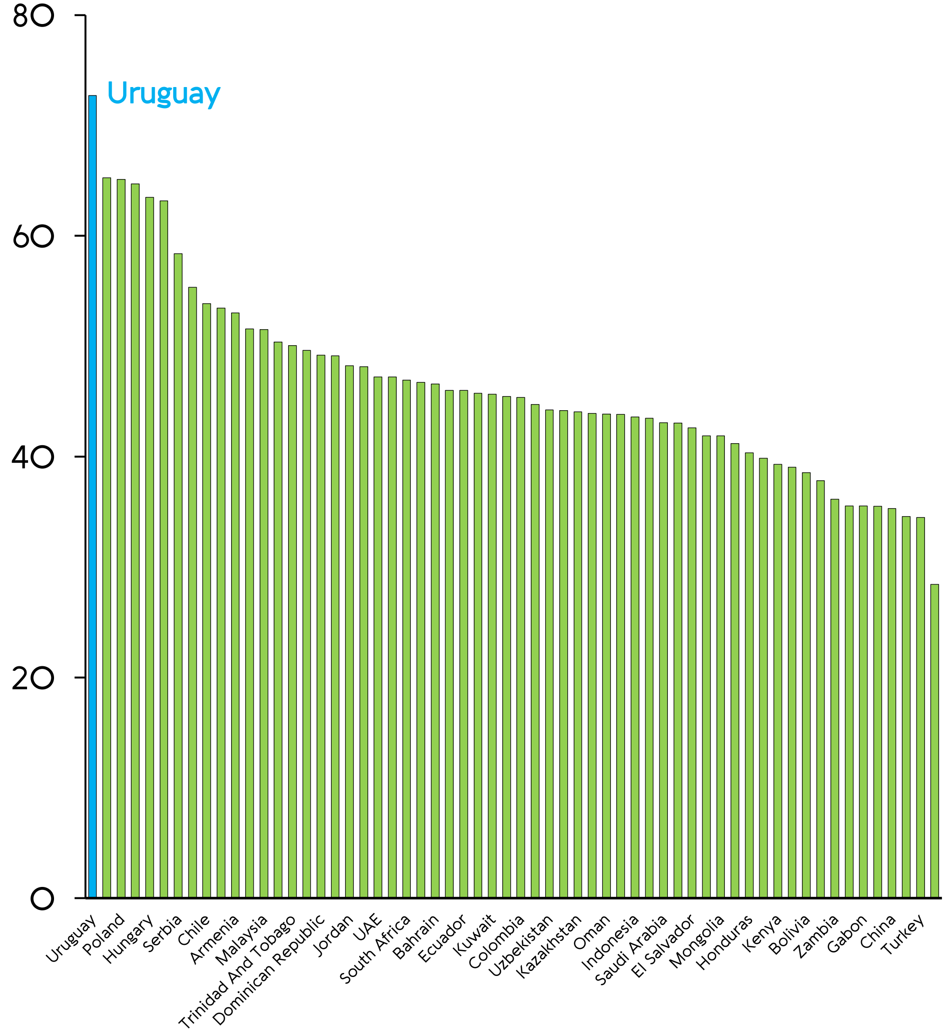
- **Multilateral lending**. Continue to integrate sustainable finance when borrowing from multilateral institutions. Uruguay is working on a sustainability-linked loan from the InterAmerican Development Bank within its recently launched CLIMA pilot program, that will embed financial rewards if Uruguay achieves energy efficiency goals.

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

7

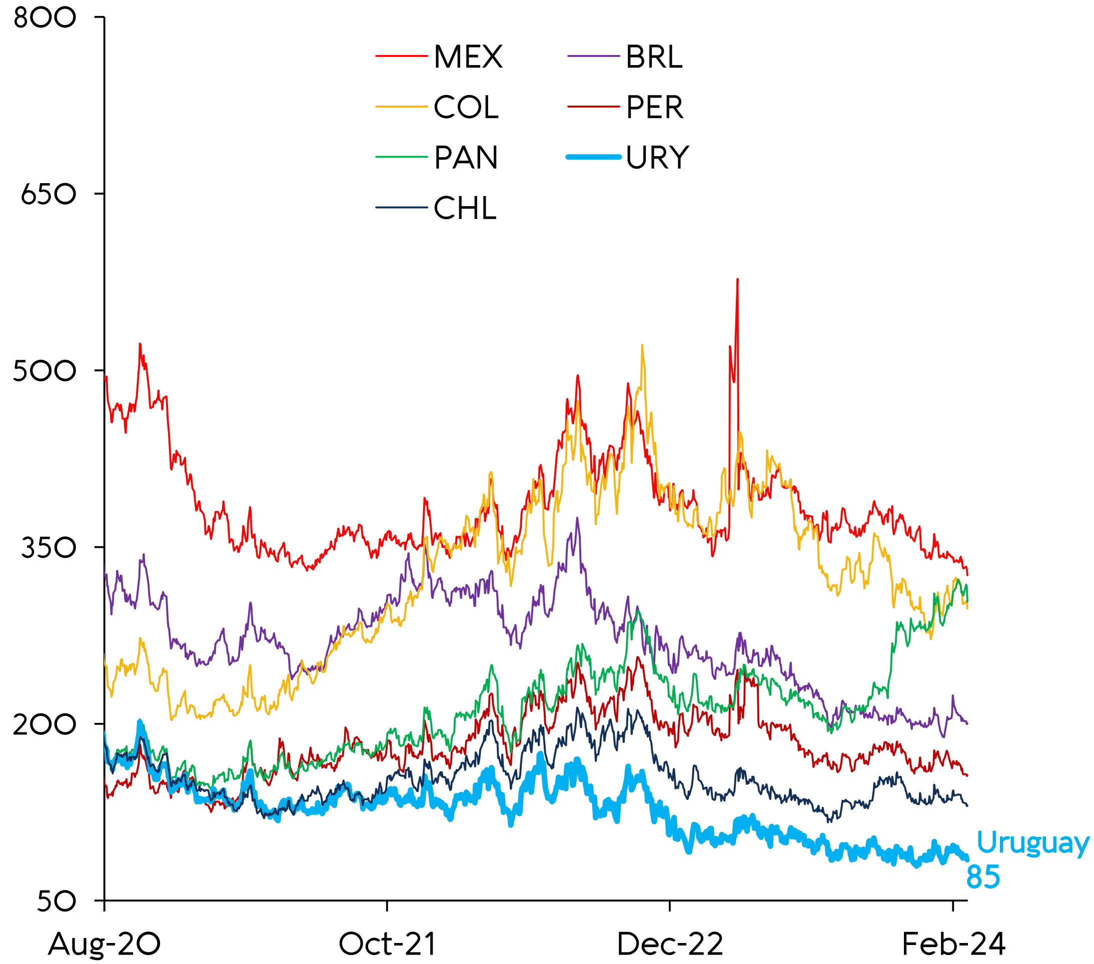
Emerging Markets' ESG Score[1]

(Index, 100 = best performance; as of end-January, 2024)



Sovereign risk premia in LATAM[2]

(EMBI spread, in bps; as of February 22nd, 2024)

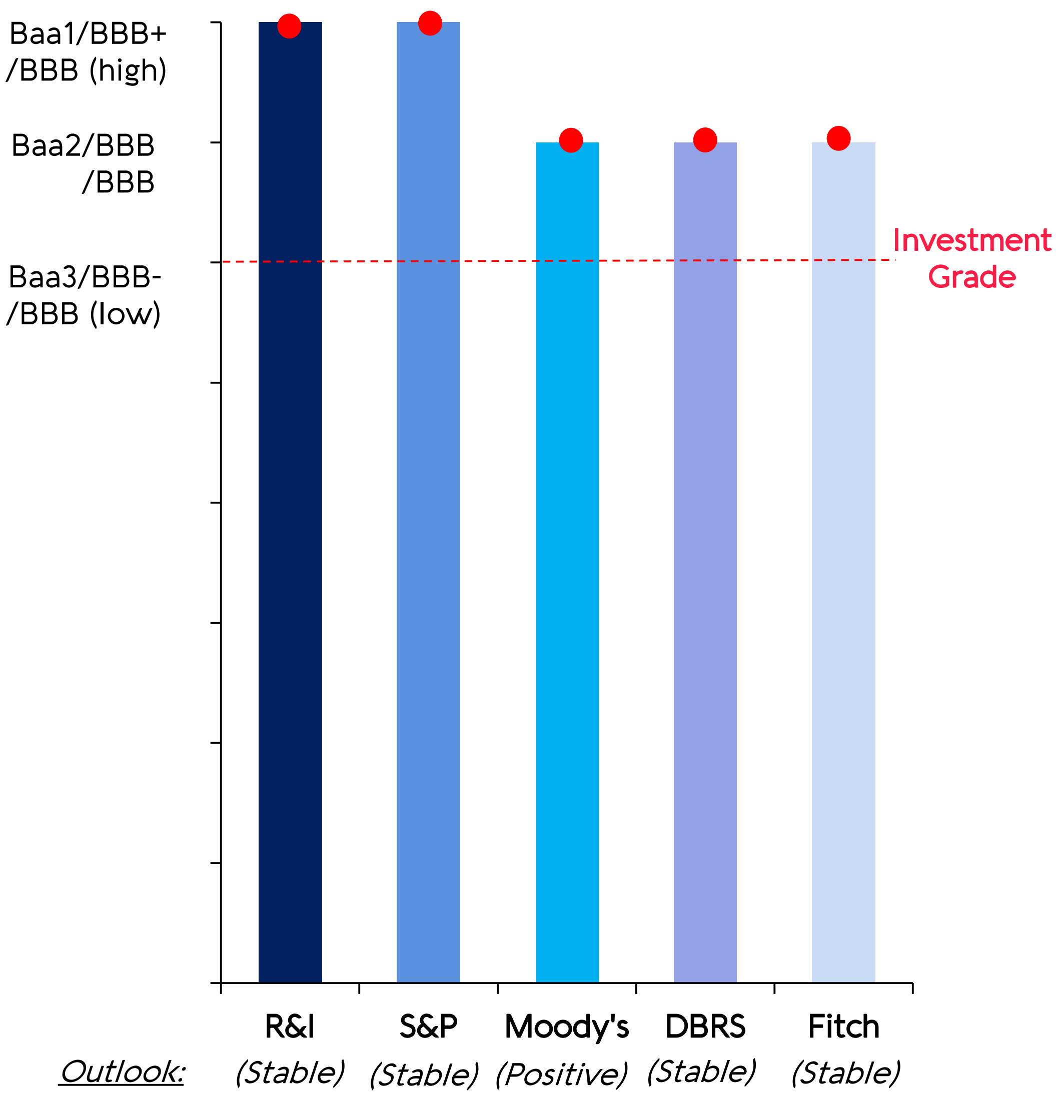


1) 61 countries.
Source: .P. Morgan Chase & Co. using data from Verisk Maplecroft, Sustainalytics and Climate Bonds Initiative .
Disclaimer: "Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2022 J.P. Morgan Chase & Co. All rights reserved."
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.

All five rating agencies 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 end-January, 2024)



Latest credit rating actions

On December 27, 2023, R&I confirmed the Foreign Currency Issuer Rating at BBB+. The outlook is **stable**.

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 upgraded 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**.

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