



Uruguay: platform for logistics services for the pharmaceutical sector in Latin America.

WHY URUGUAY?

Uruguay is distinguished by:



A reliable country



Political and Social Stability

Uruguay's position in the region



Economic growth and credit quality

- From 2009 to 2019, the growth of the GDP in Uruguay was sustained and stable, with an average annual GDP increase of 3.3%, ahead of Chile with 2.9%, the LATAM average of 2.5%, 1.3% in Brazil and 0.7% in Argentina.
- From 2014 to 2019, the top rating agencies (Fitch Ratings, Moody's and Standard & Poors) awarded Uruguay the Investor Grade (BBB/Baa2), which reflects the trust that the institutional framework of the country and its economy generates.

Strategic location



Location – Access – Connection

- Uruguay has a high profile geographic location in MERCOSUR.
 - Its 2 main ports, are conveniently located in the south Atlantic Coast, the main entry point into River Plate Basin (Argentina, Brazil, Paraguay Bolivia and Uruguay).
 - The ports of Montevideo and Nueva Palmira are the only free ports on the Atlantic Coast of South America, the former having the greatest impact in the River Plate Basin and the latter, the southern most of the waterways of the Paraguay-Paraná and Uruguay Rivers.
 - Easy access to the wealthiest cities on the continent in a span of 12 to 96 hours by land and 1 to 3 hours by air.
 - The Carrasco International Airport is the only free airport in South America with an array of high quality air transport services for passengers and cargo.
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Gateway to Latin America

Uruguay offers access to a market of 400 million people, that accounts for 68% of the GDP of Latin America and represents an external flow of commerce of nearly 74% of all of Latin America.



400 million

Uruguay is the Gateway to a market of 400 million people

68%



68% of the Latin American GDP

Ease of doing business



Ease of doing business

- Equal treatment for foreign and local businesses
- Local counterpart, authorization or prior registration not required
- Unlimited foreign capital endowment for businesses
- Unrestricted repatriation of profits
- A uniform, territory-wide tax system
- Unrestricted foreign trade

Promotion of investment and exportation

Tax-exemption for revenue (between 20% and 100% of the investment amount)

Other Exemptions:

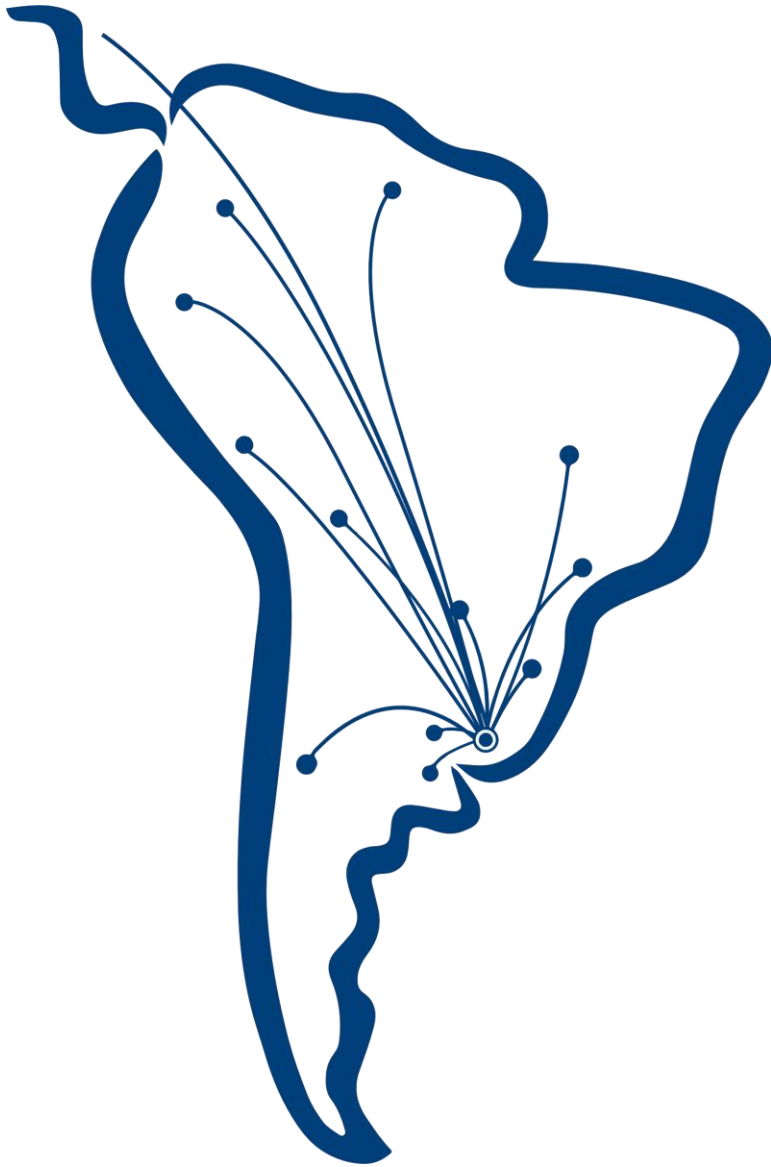
- Sales tax
- Income taxes
- Import taxes

Incentives for exporters:

- Sales tax exemption (direct and indirect)
- Tax refunds
- Temporary admission
- International agreements

URUGUAYAN LOGISTICS





What is Uruguayan logistics?

- A country capable of offering logistics services of the highest quality standards for entry and exit from the region to the rest of the world.
- A strategic geographical location positions it as a provider of natural logistic services in the región.
- Offers integrated and complementary platforms to a sea, river, air and land transport systems in the region.
- Transforms into an inbound and outbound point for MERCOSUR and associated countries, this being the principal economic bloc in Latin America.

What does Uruguayan logistics offer?

- **REGULATION**

Reliable, transparent and stable, which makes it an ideal center for businesses and safe for implementing an operational logistics *hub* and regional distribution center.

- **PUBLIC-PRIVATE SYNERGY**

INALOG: institutional field of public and private sector participation in order to promote the development of the country's logistics sector.

- **INFRASTRUCTURE**

Airports and terminals connected to an integrated network of key points of regional consumption.


- **HIGH TECH BUSINESSES + QUALIFIED STAFF**

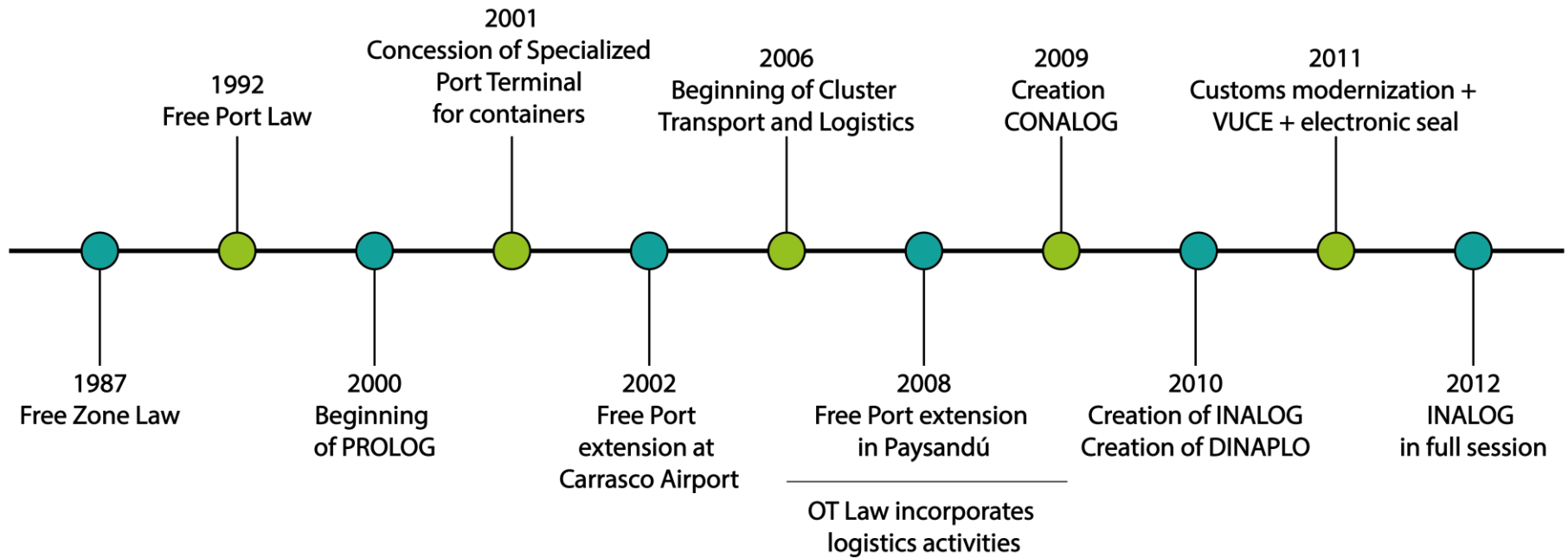
Certified businesses with the latest equipment and technology and highly qualified staff.

Regulations for a logistics *hub* and regional distribution center.

- The different customs systems (free zone, free port and airport, customs storage and temporary admission) with their unique characteristics that allow for the operation of a logistics *hub* and center for regional distribution.
- The advantages for logistics operations, translate into strong incentives for the installation of RDA and the management of merchandise in transit.
- In every case, merchandise enters, remains and exits the country without tariffs or taxes.
- The systems mentioned, provide an attractive regulatory framework for diverse enterprises with different operational characteristics and commerce, to find the option that best adapts to their needs.

Comparative table of legal regimes

	REGIME		
	FREE ZONE	FREE PORT/AIRPORT	BONDED WAREHOUSES
Permitted Activities	(1) Commercial. (2) Industrial. (3) Services. As a general rule, the users of a free zone will not be able to perform industrial and commercial activities or activities related to services outside the free zones. There are some exceptions to this rule.	(1) Storage. (2) Commercial. (3) Repair and maintenance. (4) Temporary storage for exhibitions or similar activities. (5) Logistic.	(1) Storage. (2) Commercial. (3) Industrial. (4) Repair and maintenance. (5) Temporary storage for exhibitions and similar activities. (6) Logistic.
Taxes	Users are exempt from any existing national tax or those to be created.	During their stay in the port customs area, the goods will be exempted from taxes and surcharges applicable to the import or because of it.	During their stay in the customs warehouse, the goods are exempted from taxes.
Term of Deposit	No limits	5 years (extendable).	24 months (non-extendable).
Origin Regulations	As long as the good come from a Mercosur Member State or third countries with which Mercosur has signed agreements, these will not lose their origin.	The origin of the goods is not affected by its entry into the regime. The validity of the certificate starts running when the goods leave the warehouse (180 days). Certificate validity may be fractioned by issuing derivative certificates of origin.	The origin of the goods is not affected by its entry in a customs warehouse. The validity of the certificate starts running when the goods leave the warehouse (180 days). Certificate validity may be fractioned by issuing derivative certificates of origin.



Public-Private synergy in the logistics sector

- Uruguayan logistics has its own institution.
 - In 2010, by law number 18, 697, the National Institute of Logistics (*e/ Instituto Nacional de Logística-INALOG*) was created as an institutional entity with public-private participation in order to develop the sector.
 - Law number 18, 697 declared the national interest for the promotion of logistics activities in the broad sense, which comprise the body of the system of necessary services in order to partially or totally cover the service chain, whether it be at a national or international level.
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Steering Council



Cargo generators

Uruguay's Exporters Union
Uruguayan Chamber of Commerce
and Services



Cargo generators

Uruguayan Chamber of
Industry
Merchant Chamber of
National Products



Land Transport

Land Transport Professionals
Association



Ministry of Economy and
Finance



Ministry of Transport
and Public Works

Inalog



Ministry of Foreign Affairs



National Port
Administration



Port and airport agents

Navigation Centre
Customs Brokers Association



Logistic services

Uruguayan Logistics
Chamber
Uruguayan Free Trade Zone
Chamber



Logistics services

Uruguayan Cargo Agents
Association
Uruguay Cargo Terminal

Transport Infrastructure

- Uruguay has a convenient transport infrastructure.
- Possesses the densest highway transport system in all of Latin America.
- Has 8,776 km of national routes and 38,883 km of routes and departmental roads. The network of international road corridors has a length of 2,477 km.
- The current Uruguayan railroad system includes an extension of 1.673 km of operable tracks.
- Uruguay has 10 international airports, one with runways between 2250 m and 3200 m long and a logistics cargo terminal, with 2 runways between 2100m and 2300m, four between 1500m and 1900m and three with runways between 1250 and 1500m.
- The offering of ports in Uruguay is integrated with 6 commercial ports for ocean-going vessels.
- Presently, there is a port for freight vessels of 12m and 2 ports for freight vessels of 10m, with planned renovations to accommodate larger vessels.

A few **businesses** that utilize Uruguay as a regional distribution center



RICOH

SONY



MERCK



GBT Grupo Biotoscana



Uruguay offers highly technical logistics, capable of executing international business logistics.

URUGUAY AS A DISTRIBUTION AND CUSTOMIZATION CENTER FOR THE REGION

INBOUND

Sea, air and/or land



INBOUND

- Stay, depending on legal system , from 2 years to unlimited
- Quotes adjusted to the needs of operations
- General or Specialized cargo

STORAGE
+
ADDED VALUE



TASKS:

- Labelling
- Packaging
- Kits assembly
- Catalogue and warrant placement
- Electronics adaptation
- Mini-factories processes
- Other tasks



BRAZIL

ARGENTINA

CHILE

PARAGUAY

BOLIVIA

URUGUAY

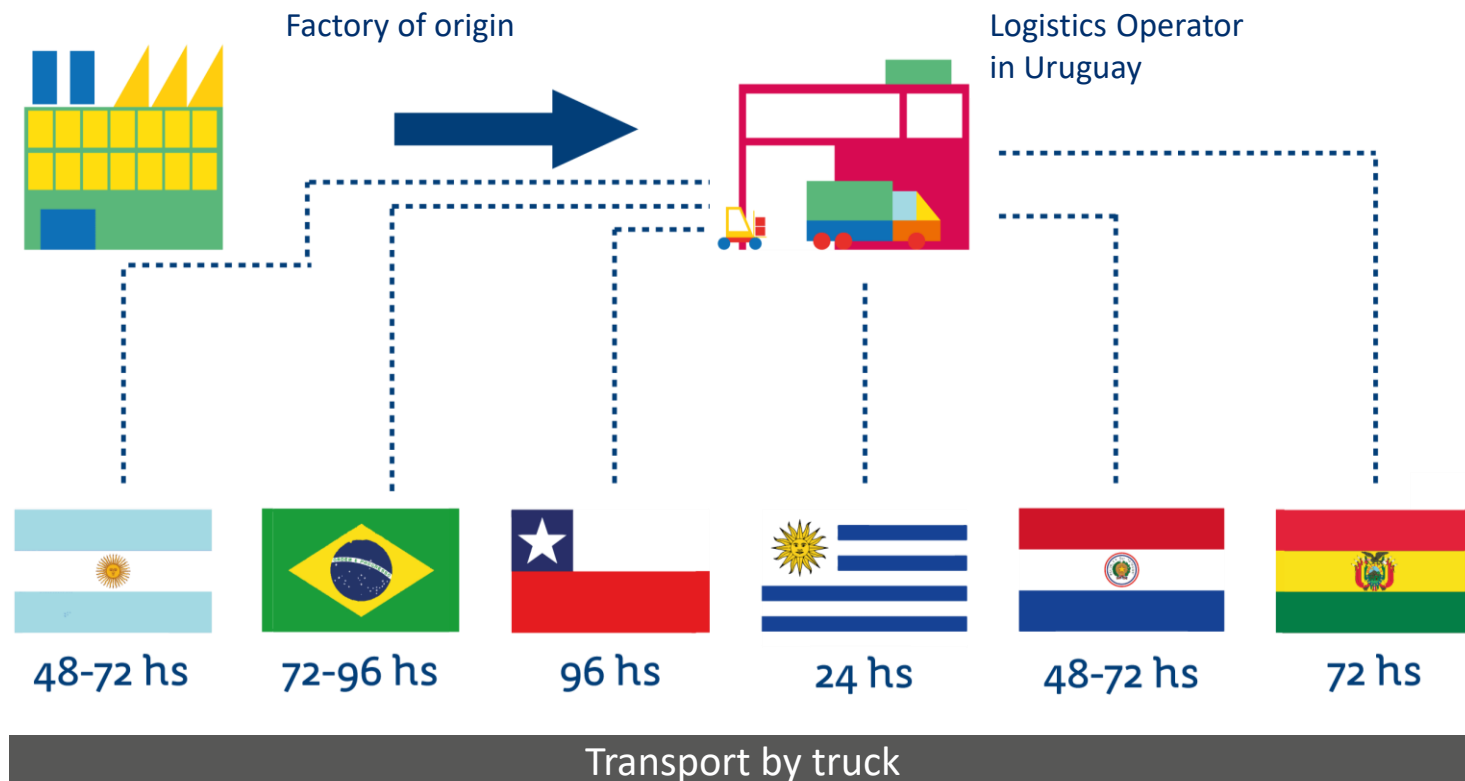
OTHERS



OUTBOUND

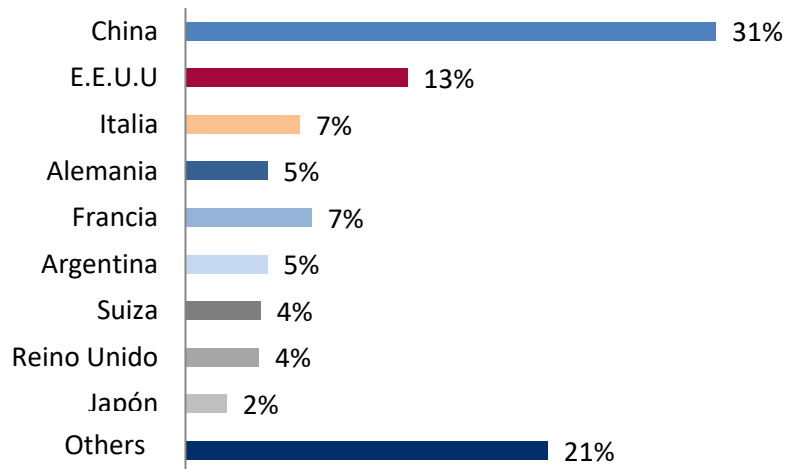


Logistics through an installed RDC in Uruguay



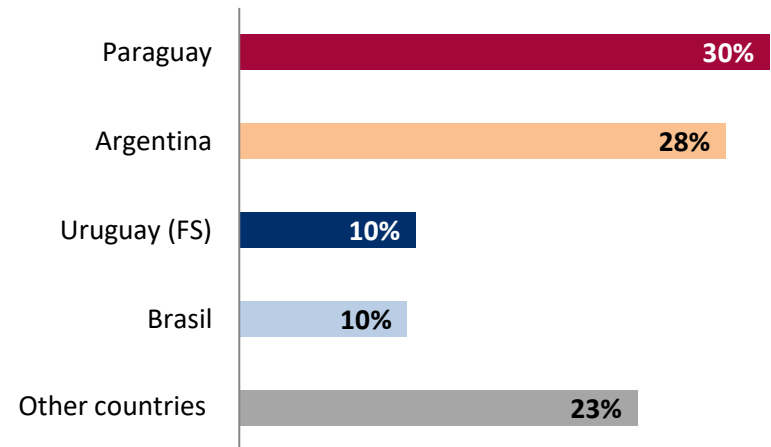
Main countries of origin and destination for RDC transits

Main countries of origin of outbound transit from RDC
Average dollar participation CIF 2012-19



Source: Produced by Inalog on the part of DNA

Main countries of destination of transit
Average dollar participation 2012-19



Source: Produced by Inalog on the part of DNA

Examples of logistics platforms for regional distribution



Free airport



Free zone



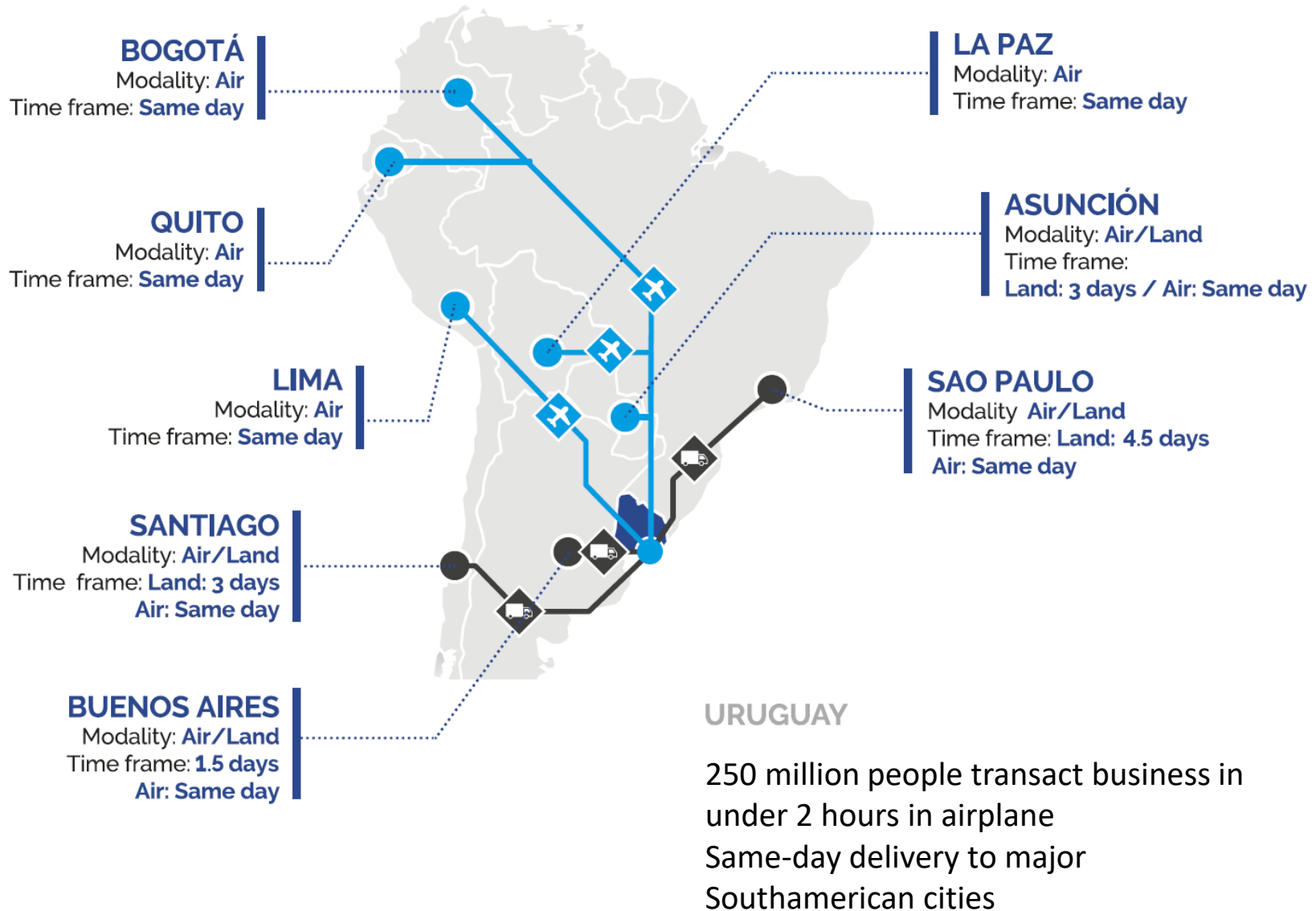
Free port

Free airspace system

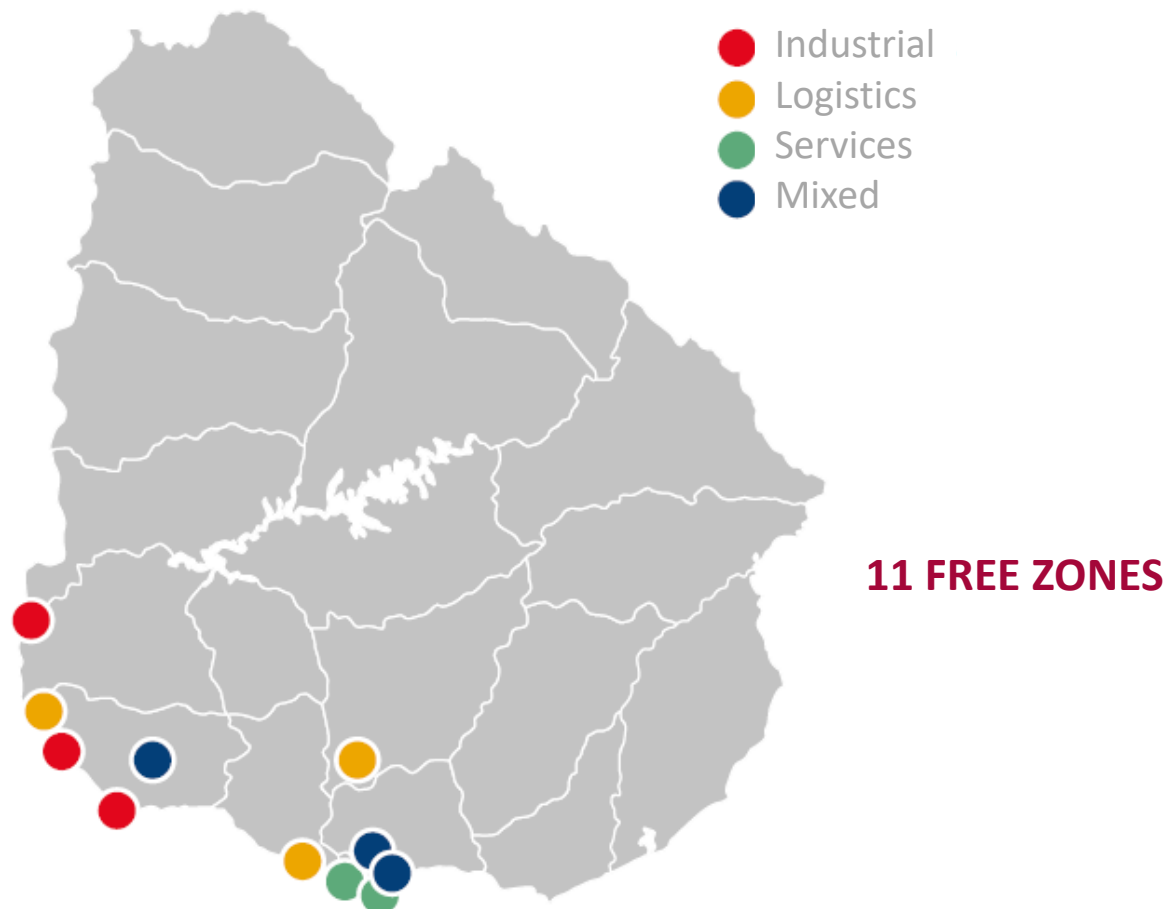
- Airport terminal cargos in Carrasco operate under the only multimodal free airspace system in Latin America, with the ability to receive and send cargo by sea, air or land to any country in the region.

 - Approved added value services
 - Multimodal management for cargo transported by truck, boat or airplane
 - Fragmentations and groupings
 - Maintenance and repair
 - Primary and secondary packing
 - Software configuration
 - Parts and hardware replacement
 - Order labelling and preparation
-

Carrasco International Airport



Free zones system

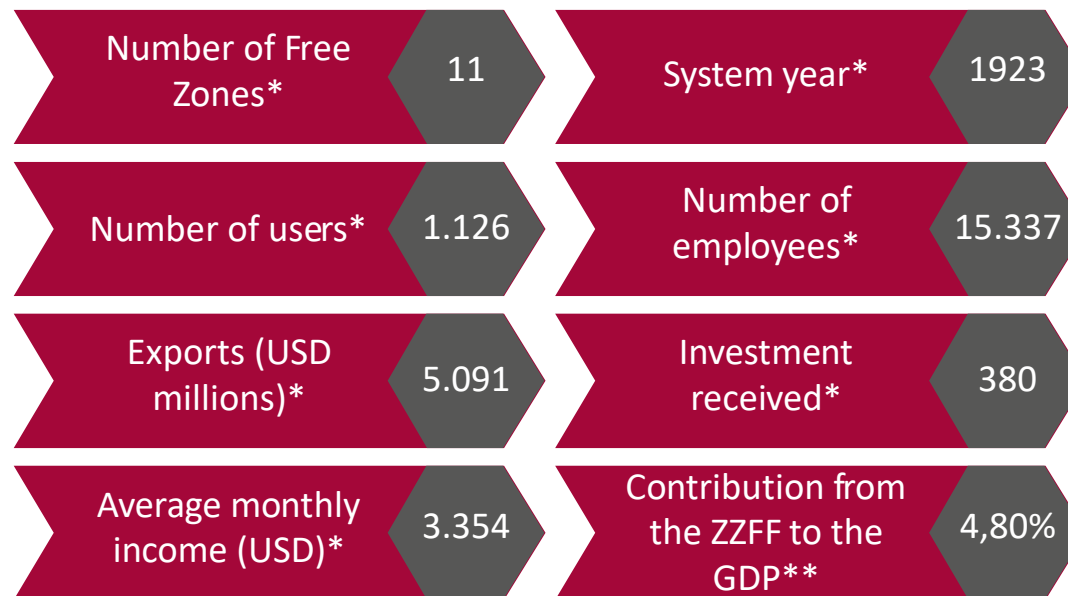


Source: Uruguay XXI

Presently there are 2 approved Free Zones without operations as of yet

General information about uruguayan free zones (I)

Summary of Uruguayan Free Zones



Presently there are 2 approved Free Zones without operations as of yet

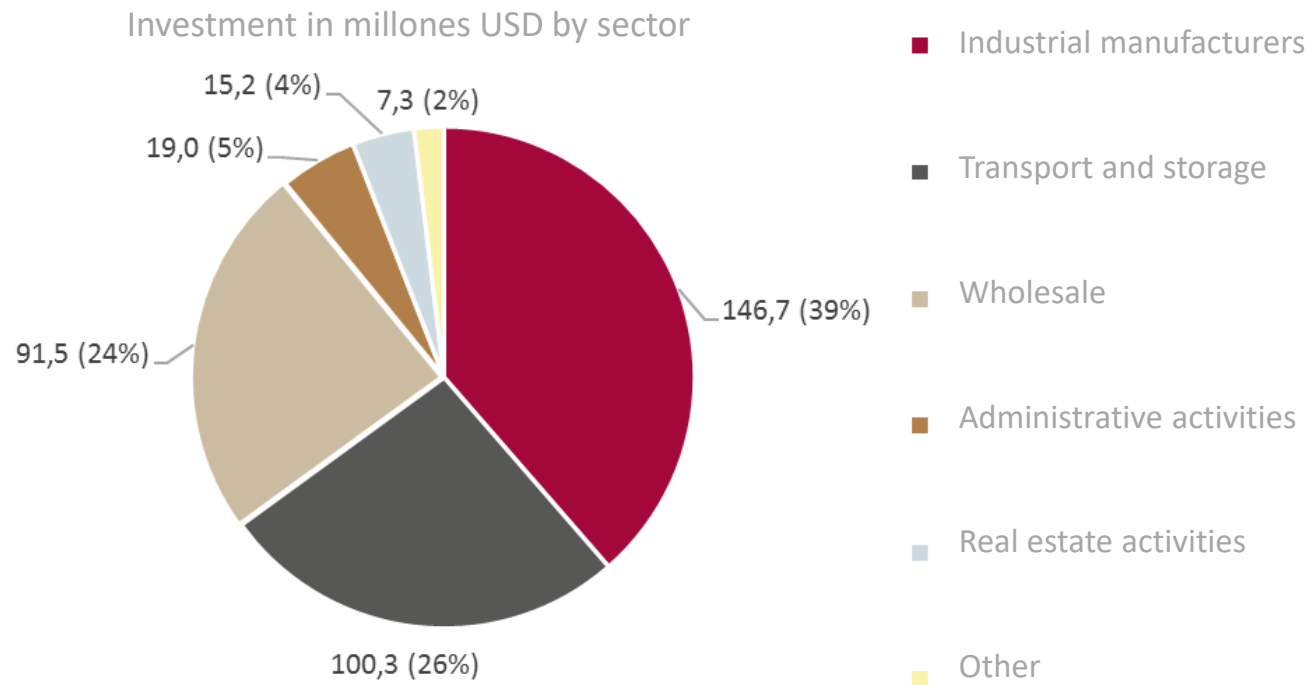
*Source: Census Free Zones 2018 – Free Zone areas - DGC – MEF

**Source: Uruguay XXI; Presidency ROU: <https://www.presidencia.gub.uy/comunicacion/comunicacionnoticias/zonas-francas-uruguay-xxi>

General information about uruguayan free zones (II)



General information about uruguayan free zones (III)

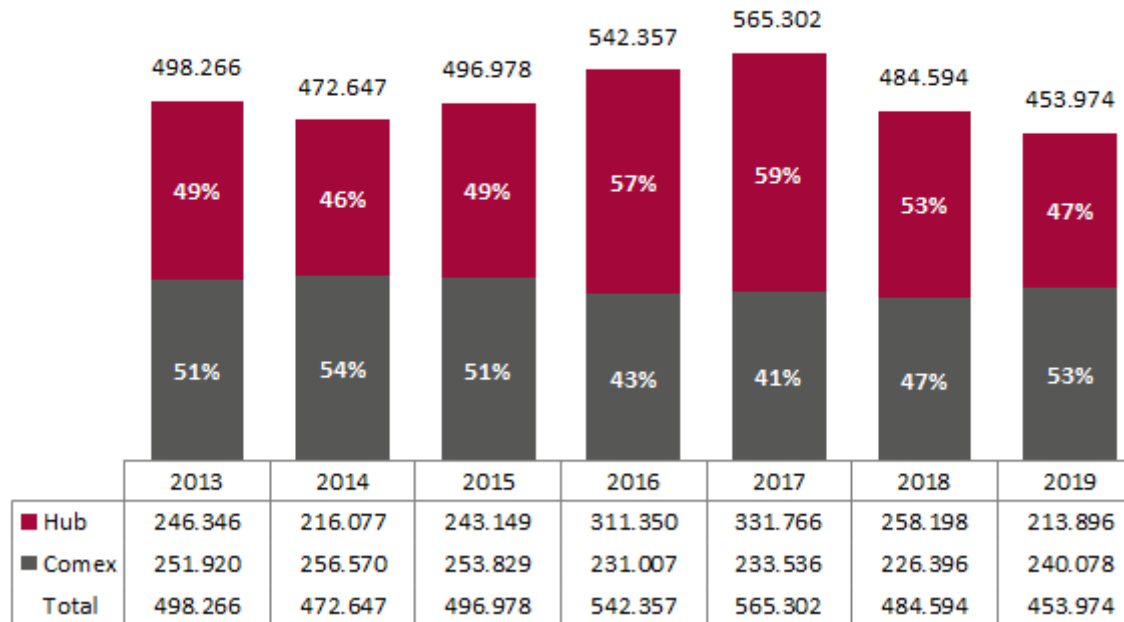


Free port system

- The ports operate within a free system, the only one on the Southamerican Atlantic coast.
 - Approved added value services
 - Multimodal management for cargo transported by truck, boat or airplane
 - Fragmentations and groupings
 - Maintenance and repair
 - Primary and secondary packing
 - Software configuration
 - Parts and hardware replacement
 - Order labelling and preparation
-

Containers for external commerce and *hub* in the Montevideo Port

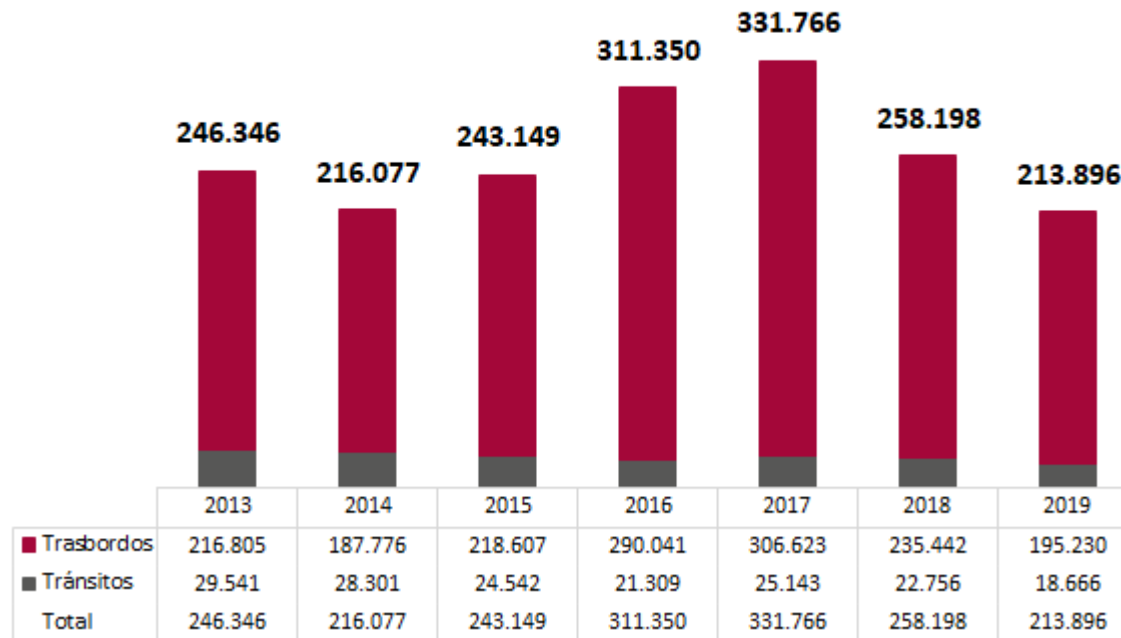
MONTEVIDEO PORT (container hub)
INALOG from ANP



Containers of the *hub* in the Montevideo Port

MONTEVIDEO PORT (container hub)

INALOG from ANP

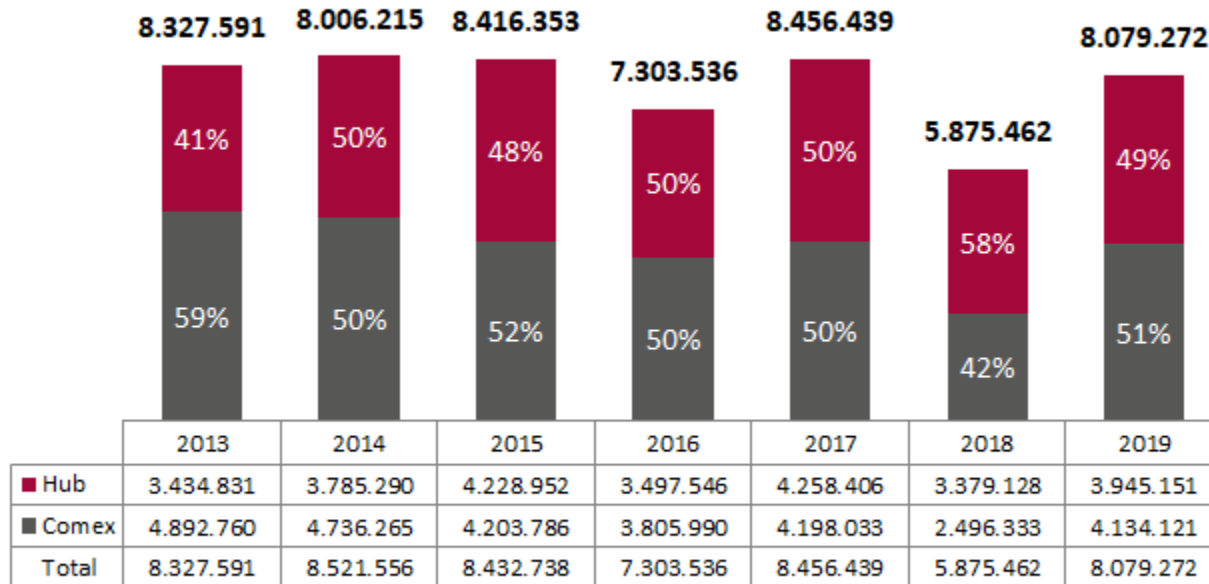


In 2019, 91% came from transfer containers and 9% from transport.

Movement of the market in the Nueva Palmira Port (*)

(*) DOES NOT include transfer unloading and imports

Merchandise loading-exports and loading hub
(tons)



Source: Prepared by INALOG from the ANP and private terminals of Nueva Palmira

URUGUAY: REGIONAL PHARMACEUTICAL DISTRIBUTION CENTER FOR LATIN AMERICA

The pharmaceutical sector in Uruguay

- Developed sector with potential for continued growth.
 - Important source of employment and demand of logistics services with high quality standards and technologies.
 - Makes use of diverse logistics platforms and nodes, highlighting the Montevideo Port, the air terminal, distinct free zones and a few passages of land borders.
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What are the advantages of a regional distribution center in Uruguay?

INVENTORY OPTIMIZATION

- Centralized inventory management with reduced volume in each country
- Stock flexibility: shared between various countries (reallocation of destination)

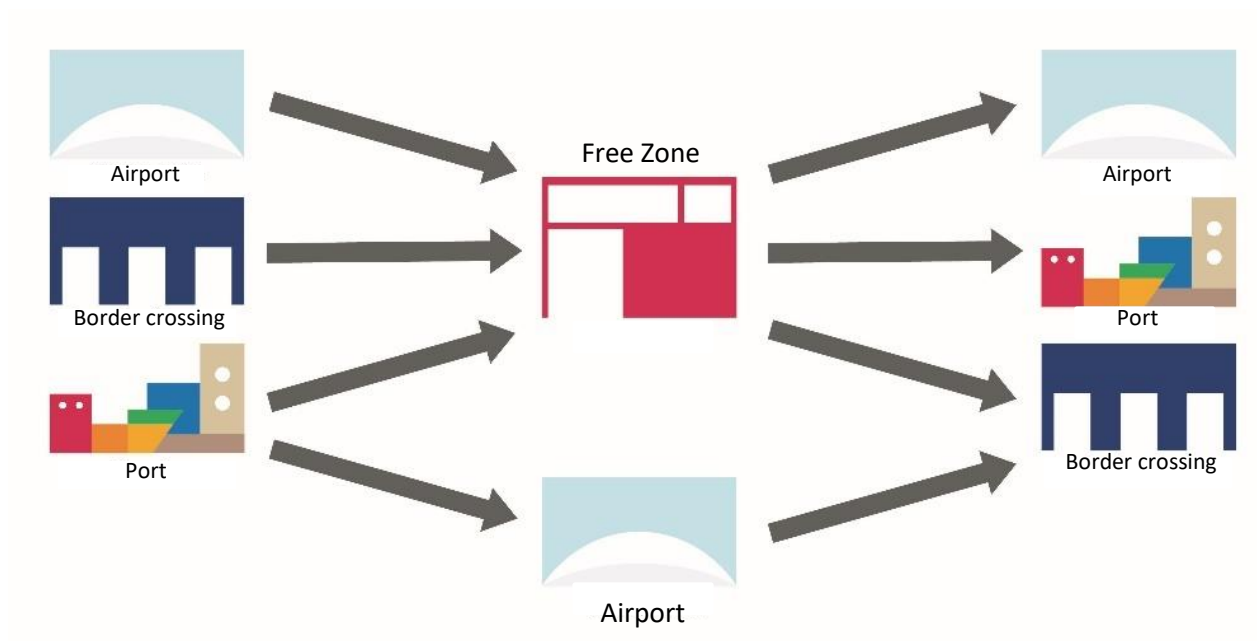
COST REDUCTION

- Financiers: deferred nationalization costs
- Operations

IMPROVED SERVICE

- Logistic *speed to market* → reduction of *lead times*
 - Customization according to the requirements of clients in each country
 - Client maintains possession of the merchandise
-

Transport from the pharmaceutical sector within national customs territory



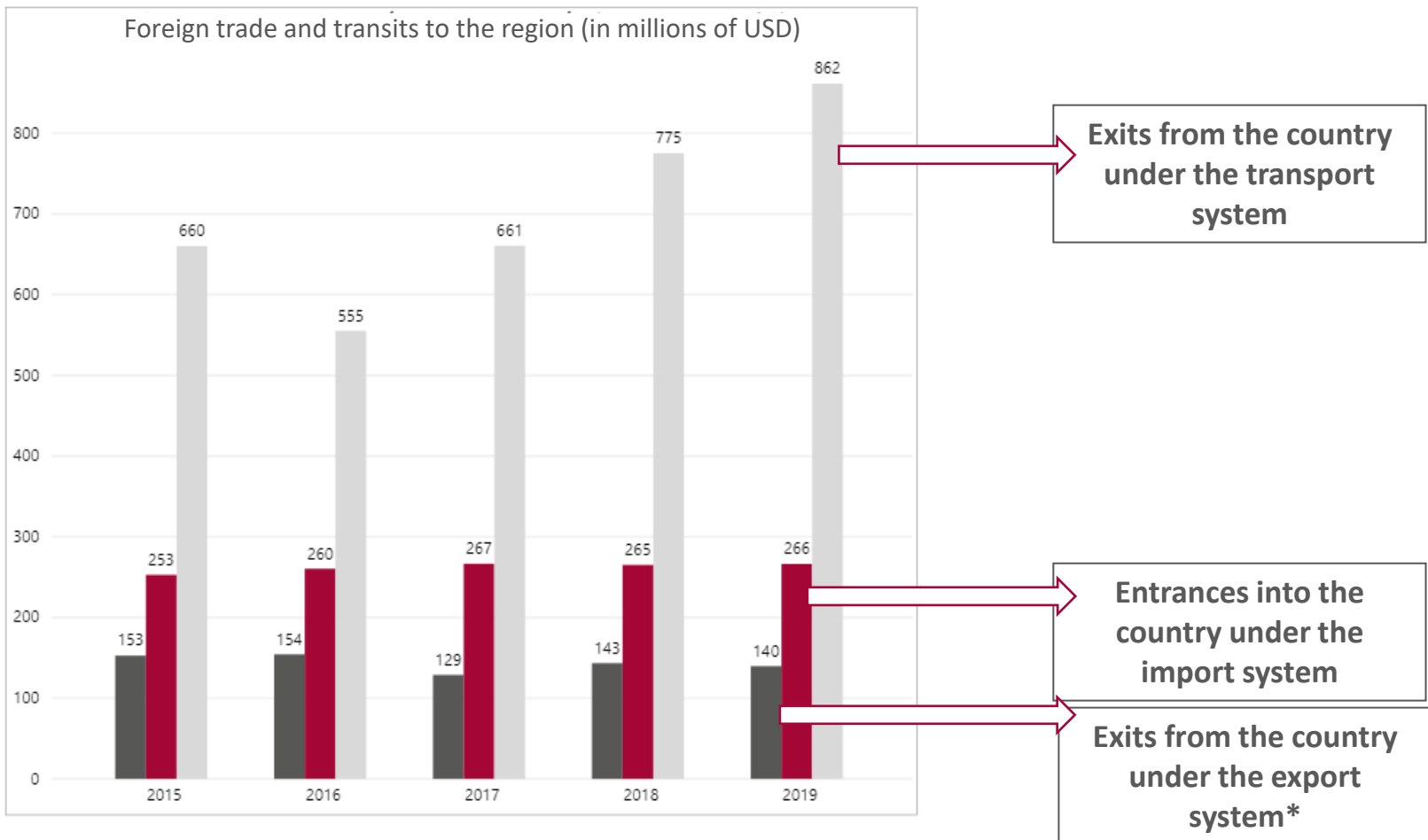
The schema represents the main chains identified.

Considerations to take into account

- ① The pharmaceutical products considered in this analysis are included in the tariff headings (from the common MERCOSUR nomenclature):
 - 2937: hormones
 - 2941: antibiotics
 - 3001: glands
 - 3002: blood
 - 3003: unmeasured and unpackaged medications
 - 3004: medications in doses and packaged
 - 3005: gauze, bandages, etc.
 - 3006: chemical preparations and pharmaceutical materials

- ② The data provided corresponds to the customs information found in the import national customs SAD regarding imports, exports and transport within the national customs territory.

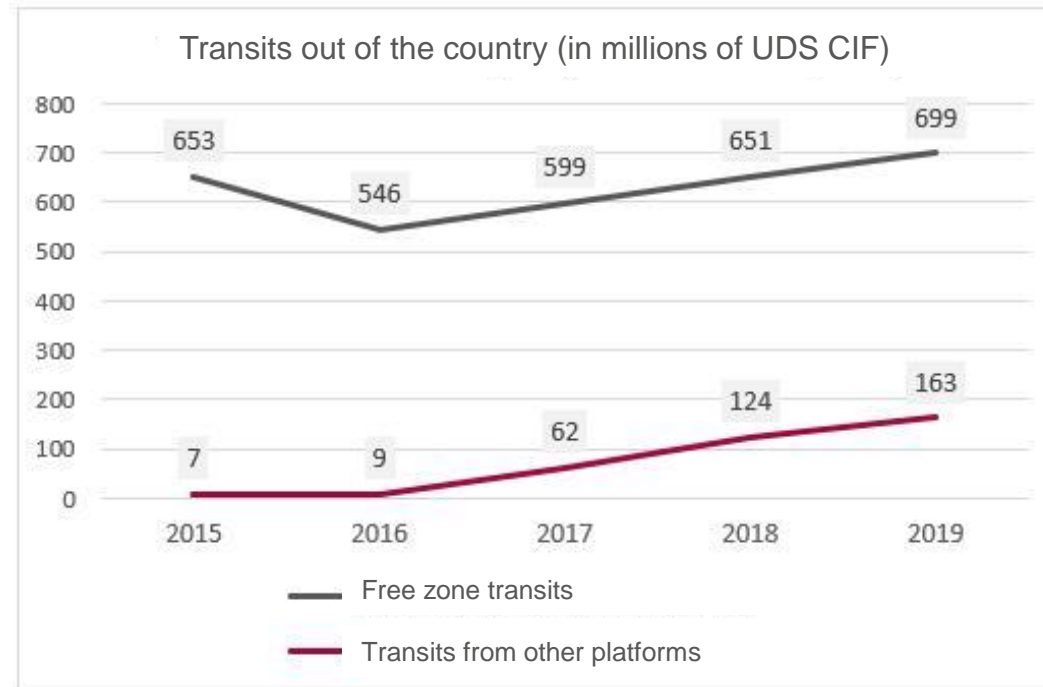
External commerce and transport of pharmaceutical products to the region in the last 5 years



Source: INALOG from DNA

* Includes exports destined for Free Zone (ZF)

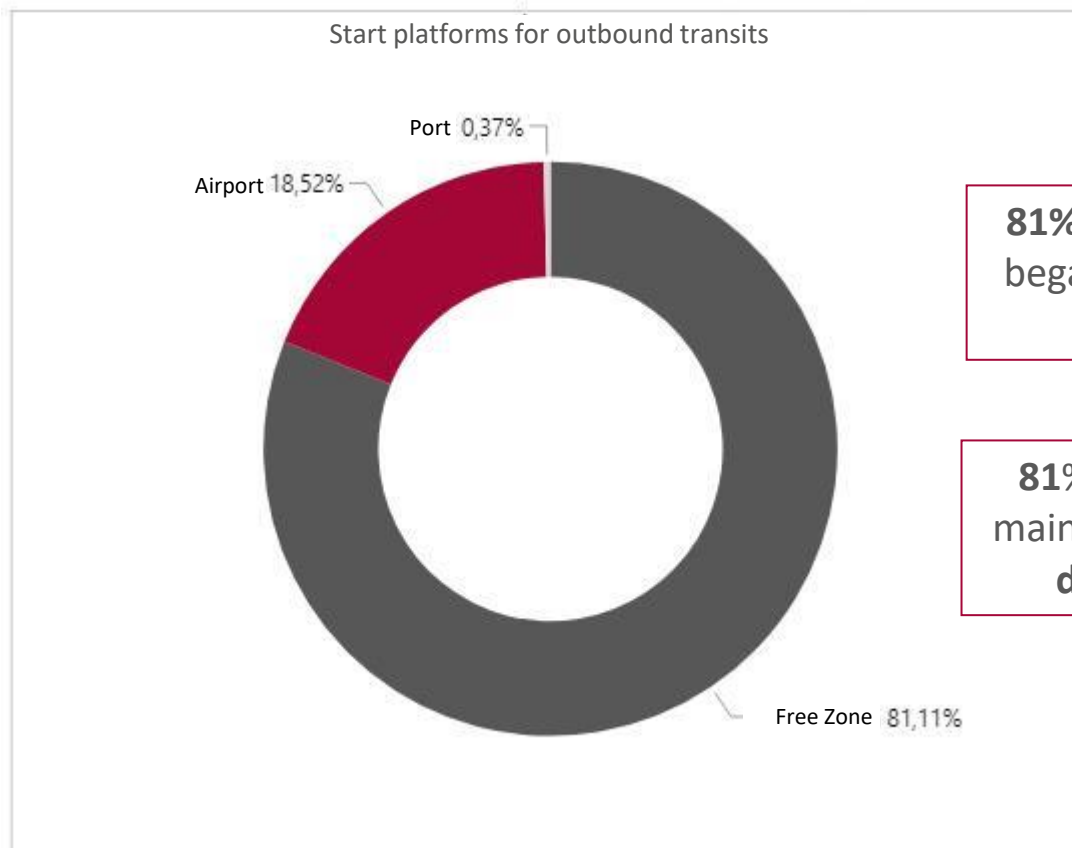
Outbound transport of pharmaceutical products to the region



Source: INALOG from DNA

The transport of pharmaceutical products to the region totalled \$862 million in 2019. Of that, \$699 million came from external transport from free zones and \$163 million from other logistics platforms.

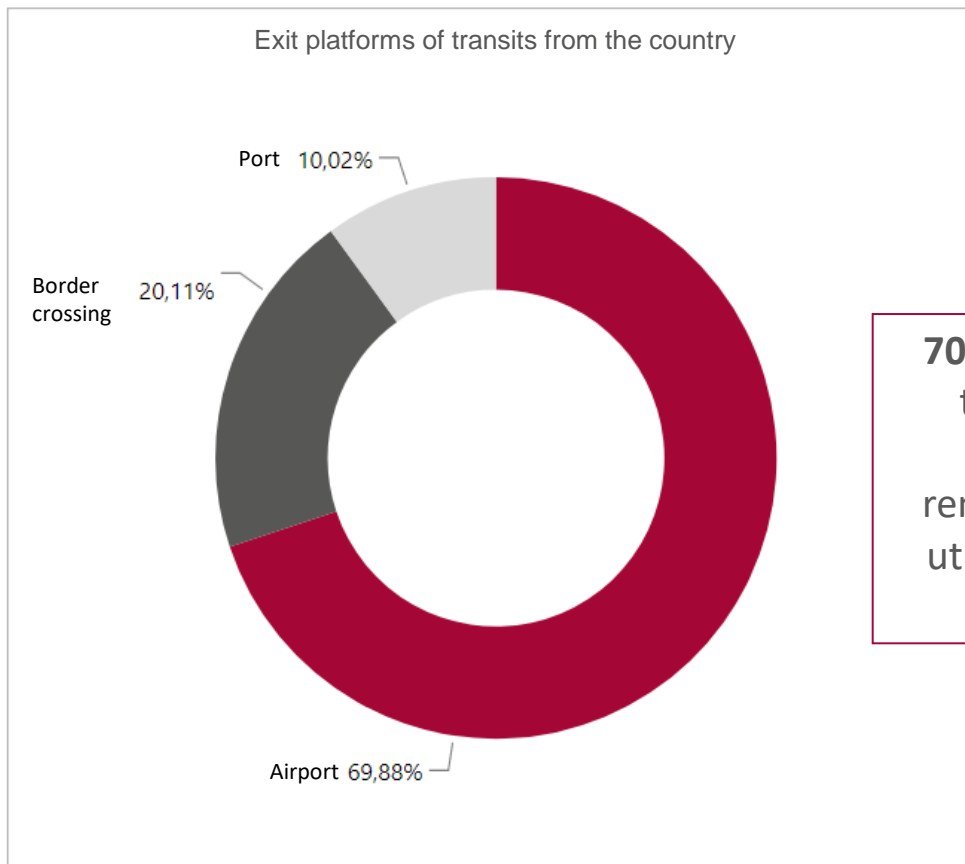
Logistics platforms from the beginning of outbound transport of pharmaceutical products in 2019



81% of the transport outside of the country began in the **free zone**, **18.5%** in the **airport** and less than **1%** in the **port**

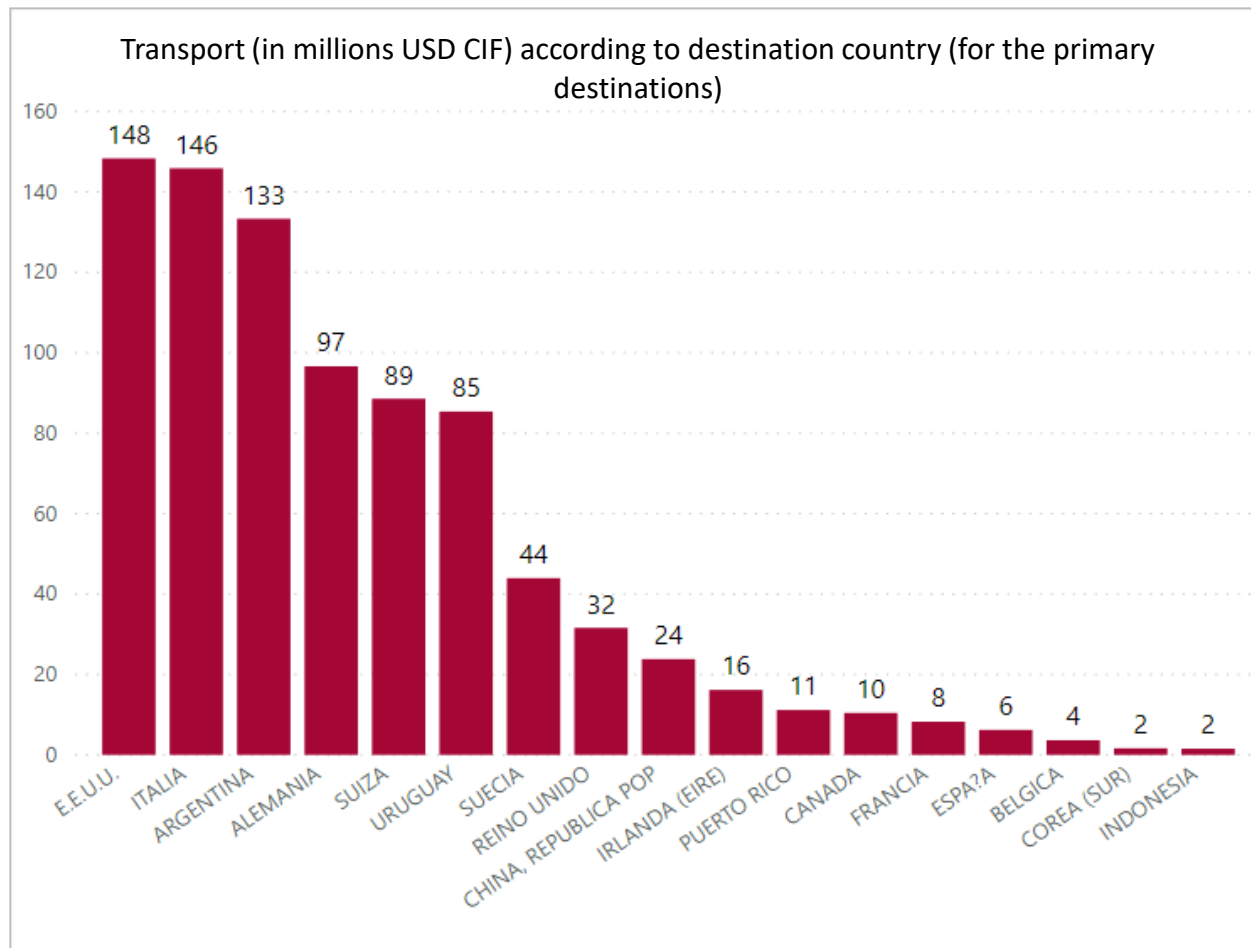
81% initiated in the free zone distributed, mainly, in: **59% Zonamérica** and **22% Parque de las Ciencias (Park of the Sciences)**

Platforms for outbound transport of pharmaceutical products

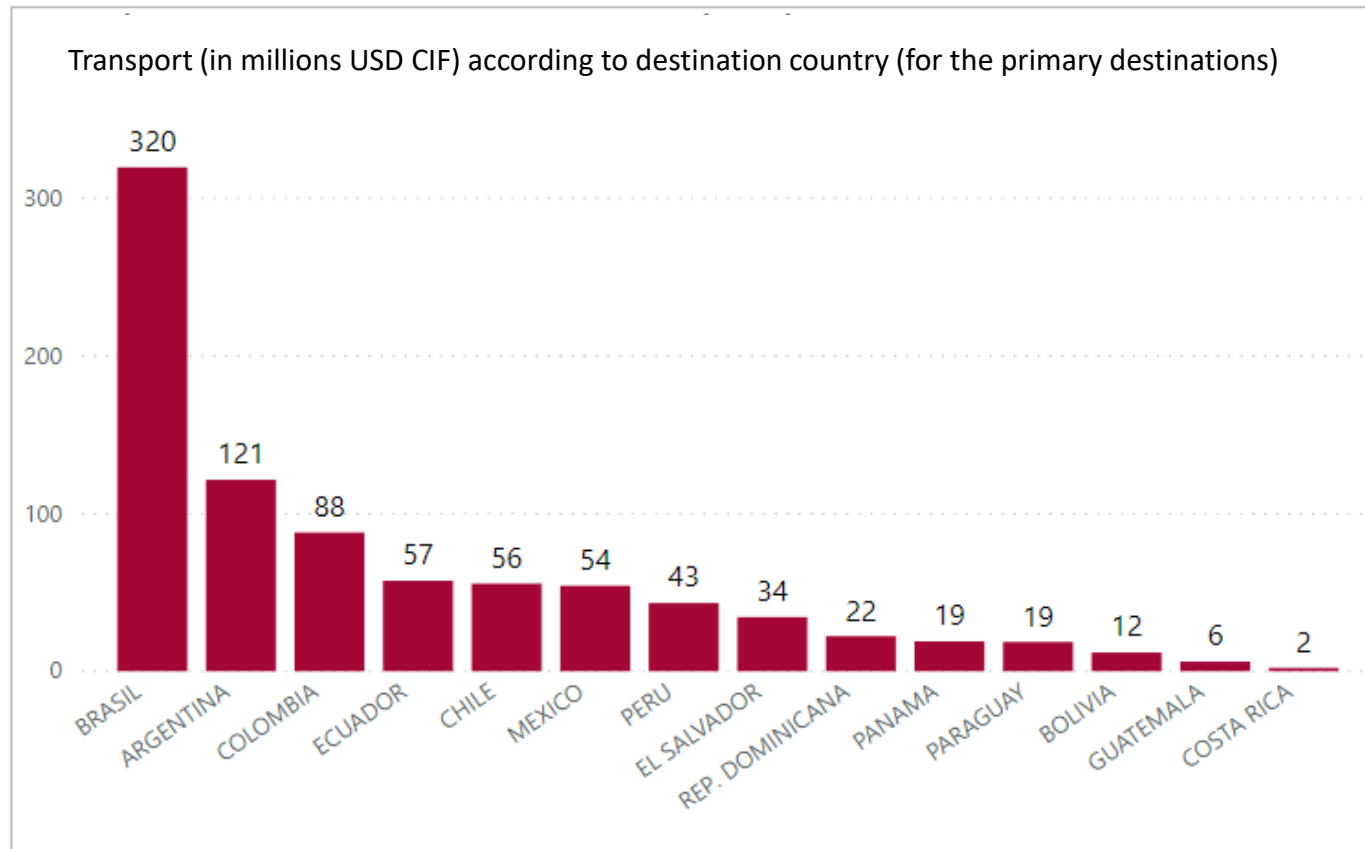


70% of the merchandise in transit that left the country in 2019 was by way of the **airport**, **20%** by **land borders** and the remaining **10%** by way of the **port**, as such utilizing the 3 available channels : air, land and sea.

Primary countries of origin for transport of pharmaceutical products in 2019



Primary destination countries for outbound transport of pharmaceutical products in 2019



Source: INALOG from DNA

A few success stories of pharmaceutical businesses that use Uruguay as a regional distribution center



Some multinationals have distributed from Uruguay to Latin America from different Uruguayan logistics platforms.

Conclusions

- The pharmaceutical industry demands high quality service standards for the entire service chain and in Uruguay Logistics, it finds the perfect answer to all of these needs.
 - This has allowed Uruguay to position itself as a logistics platform, tailored to the global pharmaceutical industry from which it distributes, for regional market leaders and the industry worldwide.
-