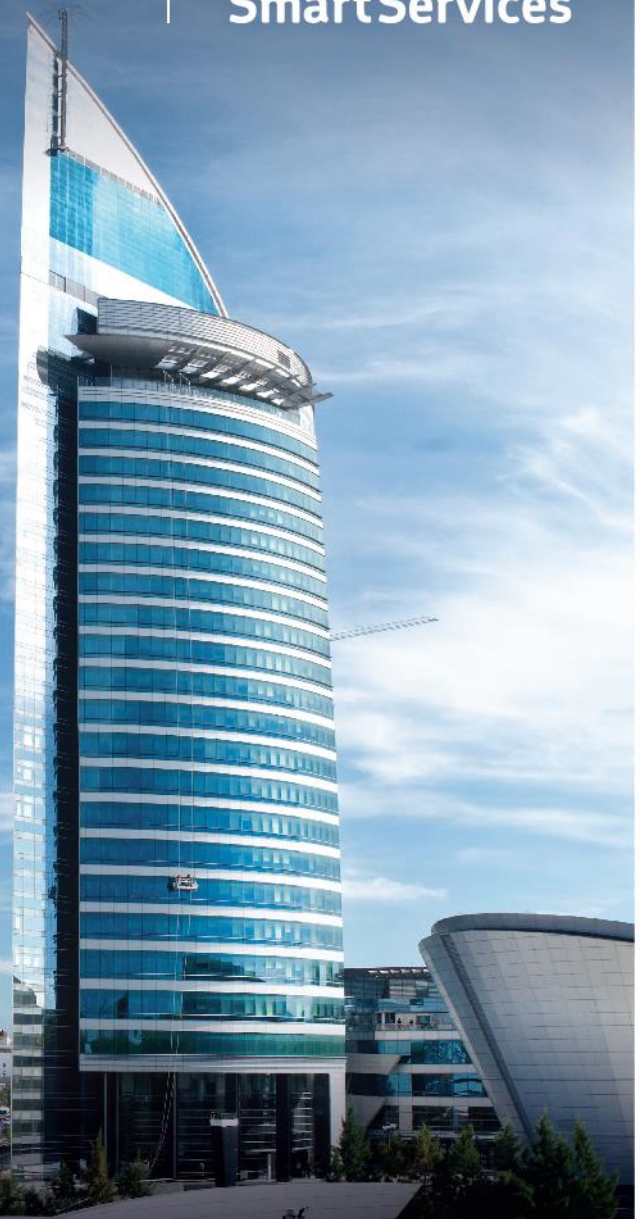


LATIN AMERICA'S BEST BUSINESS GATEWAY



Uruguay
SmartServices



BUSINESS OPPORTUNITIES FOR LIFE SCIENCE COMPANIES



HQ, SSC,
Trading &
Procurement



Regional
Distribution
& Trading



R&D
Centers



Manufacturing



Clinical
Research



reliability

Political, social and economic stability
Free currency and free capital repatriation
Tax compliance and outstanding benefits



market and nearshore

Easy access to Brazil / Spanish-speaking countries
Convenient time zone and cultural affinity
World-class facilities and connectivity



talent

Highly skilled and multilingual: Spanish, English, Portuguese
Competitive, adaptable and committed labor force
Free, high-quality public education through college



lifestyle

Relaxing and enjoyable place to live
Vast cultural, educational and health amenities
Friendly and polite people

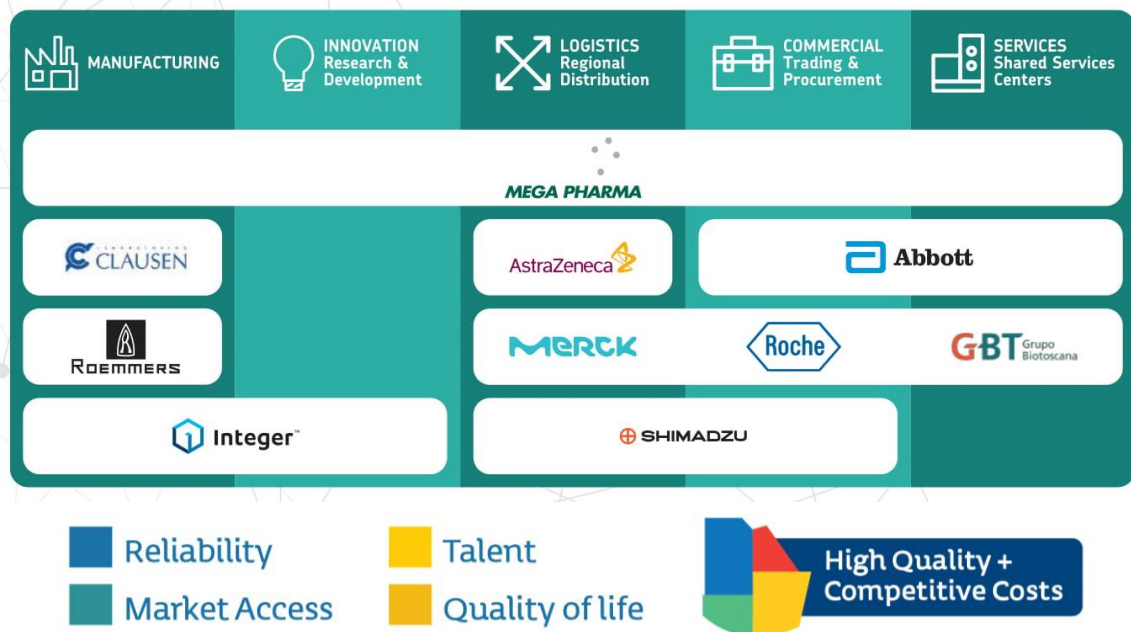


success

FDI track record
Testing ground for innovation

Business Platforms for Life Sciences Companies in Uruguay¹

Both pharmaceutical and medical device companies, combine different business platforms, taking advantage of Uruguay's value proposition - stability, no restrictions on foreign exchange and repatriation of profits, outstanding tax exemptions, talent availability and quality of life, cold chain and logistics for access to Brazil and countries in the region minimizing time and costs.



¹ R&D: Research & Development
RDC: Regional Distribution Centers
HQ-SSC: Regional Head Quarters or Shared Services Centers

Life Science Success Stories



SSC



Regional
Distribution
& Trading

Roche has a **Regional Supply Center** in Uruguay which coordinates all **logistic activities** in Latin America. Also, the Center manages goods supply from the production centers to all its affiliates in the region. The main activities of the Regional Supply Center include: orders management, billing, and customer service. Thus, the Center has three different departments: Intercompany Operations, Supply Chain, and Transport. Each department ensures an alignment with regional interests and requirements.



HQ, SSC,
Trading &
Procurement



Regional
Distribution
& Trading

Shimadzu Corporation manufactures analytical tools for precision and measurement, medical imaging systems, aircraft equipment and other industrial equipment. Shimadzu Latinoamérica S.A, works as a **Regional Distribution Logistics** center throughout Latin America for medical equipment, and analytical equipment (precision balances, and laboratory equipment). The company has business offices, a warehouse and their **Regional Headquarters** in Uruguay, which they moved from Brazil in 2013.



HQ, SSC,
Trading &
Procurement



Regional
Distribution
& Trading

Merck settled in Uruguay in 1996. The company develops **logistic and business services** lead by regional and global positions. The operation has grown steadily, following Merck's growth in Latin America, and currently 80 employees work in both platforms. Regarding logistics, Merck packages and distributes biotechnology products manufactured in Europe, which are sent throughout various countries in the region. Concerning business services, the firm established a finance Shared Service Center that includes trading, procurement, F&A, supply chain and regulatory support activities for the region.



Adium Pharma settled its Regional Distribution Center in Zonamerica Business Park, Uruguay, to provide distribution and secondary packaging of finished generic drugs and raw material to most Latin American countries. Currently, it employs around 400 people.



AstraZeneca, has implemented in 2016 a strategic Logistics operation in Uruguay for the distribution of imported finished goods to Brazil. The products transit via Uruguay after sea and air long hauls, are consolidated and shipped via truck to Cotía plant, in the state of SP-Brazil. This Project delivered very important results to AstraZeneca's operations. The travel times are very stable, damages and temperature excursions were reduced dramatically. For these reasons the company won an award as the best Distribution Network Strategy at Logipharma Awards. (<https://logipharmaawards.wbresearch.com/2017-Winners>).



Abbott is a global health company dedicated to the discovery of new medicines, new technologies and new forms of health management. Its products range from nutritional products and laboratory diagnostics to medical devices and pharmaceutical therapies.

Since 2015, it has installed its regional supply chain office in Uruguay, providing support to the LATAM region in Finance, Procurement, Supply and Distribution.



Mega Pharma is a pharmaceutical company with a product portfolio commercialized in 18 Latin American countries and a total annual turnover exceeding US\$ 1 billion. With a current investment of over US\$ 100 million, in 2011 the company began the process of establishing its new **headquarters** together with a state-of-the-art **R&D Center** and **Manufacturing Site** in the Free Zone Parque de las Ciencias, which provides unique and redundant infrastructure capable of hosting industrial projects of such complexity. The new facilities will allow Mega Pharma to continue its consolidation and expansion with almost unlimited growth capacity and under a stable and trustworthy legal regime.



In 2014, Medifarma, a leading pharmaceutical company of Latin America, acquired a Uruguayan firm and invested in a **Manufacturing Site** highly specialized in oncologics. Medifarma chose Uruguay for its macroeconomic stability and political transparency, as well as for the solid investment promotion scheme, and its strategic geographic location. Today, the company stakeholders highlight the qualifications of human resources as a driver of success. The manufacturing plant, ANVISA GMP certificated is situated in Uruguay and exports to more than 12 countries. The firm employs 250 persons and plans to continue growing its production capacity, as well as developing its own Development Center in Uruguay.



Integer Montevideo (formerly CCC Medical Devices) is dedicated to the design, development and manufacture of complete medical systems, with more than 35 years of experience in implantable medical devices that primarily service the United States market. Integer Montevideo has 250 employees, which includes 60 engineers (electrical, software, mechanical and chemical) in research and development. Locally, the company's origin began in the 1970's with the production of pacemakers and up until 2014, CCC focused 100% on the development of special projects in electronic engineering and software, including the prototype design and development of implantable and non-implantable devices, as well as manufacturing for its customers. In August 2014, CCC was acquired by Greatbatch™, a medical device outsource company that provided components for implantable devices. In 2016, Greatbatch acquired Lake Region Medical™ and rebranded as Integer™. With the combination of CCC and Lake Region Medical, Integer has expanded its breadth of capabilities across the continuum from components to fully integrated systems to better meet the needs of the original device manufacturer (OEM).

Regional Headquarters (RHQ) & Shared Services Centers (SSC)

Uruguay is the most reliable country to do business in one of the most economically attractive regions in the world. Its capital city, Montevideo, has become a **hub for Captive Centers**.

The models most developed by life sciences companies include the location of regional Headquarters or regional positions, the provision of F & A or HRR services, supply chain coordination, as well as the centralization of intra-company trading or procurement for their regional factories.

Samples of renowned companies from different verticals, which have developed RHQ & SSC are: Finning Caterpillar, Sabre Holdings, Altisource, Willis Tower Watson, Louis Dreyfus Commodities, Cofco Agri, SKF, Trafigura, Arcos Dorados (McDonald's), and BASF.



Berthold Ebner,

Former Managing Director, BASF Services Americas

“We decided in favor of Uruguay for three main reasons. The first was its government, offering economic and social stability, ease of doing business, minimal bureaucracy and low levels of crime and corruption. The second was the country’s quality and uninterrupted Internet connections, which our company needed to transport the data powering our equipment and technology. Most important was human resources, because our services depend on people. Uruguay offers professional and well-educated talent thanks to the country’s excellent universities...”

Regional Distribution & Trading Centers

The country is positioned as an extremely strategic site for the development of logistics and trading activities, both as a result of the geographic position and advantageous legal/tax framework. The main advantages offered by Uruguay include:

- » The free zone, free port and airport regimes provide a completely differential framework for these operations.
- » Extensive benefits for transit, fractioning, packaging and adding value to goods with and without cold-chain requirements.
- » Centralized inventories with flexibility volume and design.
- » Safe storage during global economic and political uncertainty.
- » Reducing lead times to final customers by replacing deliveries directly from the manufacturer with deliveries from center located just a few hours from destination markets.
- » Short and time-efficient local distances.
- » World class cold-chain standards.

Samples of renowned companies which have developed RDC and Trading are: Merck, Ricoh, Casio, Sony, Lexmark, Shimano, Siera electronics, Airbus Helicopters, SKF.



Gabriela Brancato
Managing Director, Merck

“Merck’s decision to establish and maintain the operations in Uruguay was grounded on three main factors: Business environment, Competitive Human Resources and Neutral Attractive location.

A favorable legal framework, high democracy index and one of the best economic climates in the region provides an ideal business environment needed for a multinational company. The country has stable and long term macroeconomic policies that helps the promotion of foreign capital investment and fosters the free zone regime.

Uruguay's high standards of living compared to the rest of the region, the availability of competitive and highly skilled human resources and customer service orientation are also key for the maintenance and growth of our business in the region.

We currently have approximately 90 employees rendering logistics and regional services to Latin American affiliates. The experience of being settled in Uruguay has been very successful and well perceived by our headquarters which allows our country to be considered for further developing opportunities within Merck."



Esteban Gari
Branch Manager, Kuehne Nagel

"Uruguay, as a logistics hub for the Southern Cone in Latin America offers excellent connection alternatives through air, sea and land, as well as having current legislation that allows us to work quickly and in compliance with international and local standards."

Manufacturing

Uruguay has a long tradition in the pharmaceutical industry, successful entrepreneurs and human resources with vast experience and knowledge. Over 30 production plants are authorized by the Ministry of Public Health and most of them have the GMP certification.

Several foreign companies have installed manufacturing sites or acquired Uruguayan plants, including: Opko Health (United States), Integer (United States), Virbac (France), Eurofarma Brazil (Brazil), Roemmers (Argentina), Medifarma (Latin America), and Mega Pharma (Latin America).



Gianclaudio Broggi,
General Manager, Mega Pharma

“Mega Pharma decided to develop its operations in Uruguay because of its legal certainty, human resources quality and the free zone scheme. The decision was final after analyzing Costa Rica, Panama, Dominican Republic, and Colombia. In particular, the free zone scheme provides us the most convenient regulation and stability for a long term investment that implies exporting products. Another important factor of success is Uruguay’s small distances: the manufacturing site is located less than a mile away from the airport and still very close to the port. This is highly important because most of our products are exported through the airport and require cold treatment.”

R&D Centers and Clinical Research

Uruguay is an attractive innovation hub for research institutes and R&D centers of Life Science companies. The country offers government support coupled with a synergetic ecosystem that nurtures life science companies investing in Uruguay. In addition, Uruguay has a high potential for multicenter clinical research projects.

Among the advantages that foreign investors note for setting up R&D centers in Uruguay:

- » Availability of talented and cost-competitive R&D workforce.
- » Easy access to a market of 398 million people (76% of Latin America's GDP) through Free Trade Agreements.
- » Close proximity to Argentina and Brazil, the largest centers of research excellence in South America.
- » Science and technology parks with cutting-edge infrastructure under the free zone scheme (exempted from all taxes).
- » Outstanding tax incentives and attractive system for import and export of scientific inputs and equipments.
- » Variety of R&D institutes for capturing regional and international cooperation projects, such as the Institute Pasteur, Pando Technological Pole, Biological Research Institute 'Clemente Estable', Center for Biomedical Research, and Uruguayan Centre of Molecular Imaging.



Luis Barbeito,
Executive Director, Institute Pasteur

"Institute Pasteur of Montevideo was founded in 2006, as an initiative of the Uruguayan and French governments. Uruguay was chosen for its strategic geographical position between Argentina and Brazil, allowing a leading interaction with the largest scientific and economic players of the region. The country also offers exceptional logistic benefits, providing easiness to import and export scientific chemicals and equipment, (almost) at the original price, which is a big difference with neighboring countries. In addition, there is a good ecosystem between the companies, the academy, and the government agencies that fund innovation projects, favoring the addition of values. Finally, Uruguay stands out for the quality of their people: researchers and students are very well qualified, and the country effectively attracts foreign talent."

Uruguay's Life Science business opportunities are supported by a synergetic ecosystem based on short and time-efficient local distances.

For instance, parks under the free zone scheme (Zonamerica, World Trade Center, Aguada Park, and Parque de las Ciencias), are located five minutes from Carrasco International Airport (a free airport) and 30 minutes from the Port of Montevideo (a free port).



Uruguay Latin America's #1 business gateway

Uruguay's value proposition relies in four key pillars: reliability, market and nearshore location, qualified human capital, and a unique lifestyle.





reliability

Political, social and economic stability
Free currency and free capital repatriation
Tax compliance and outstanding benefits

Uruguay offers a favorable business climate with social and political stability (independently of the political party in power), investment grade ratings from the main credit rating agencies (Standard & Poor's, Fitch Ratings, DBRS, and Moody's), and sustained GDP growth during the past 12 years. Moreover, the US Department of State has recognized Uruguay as a fiscally transparent country.

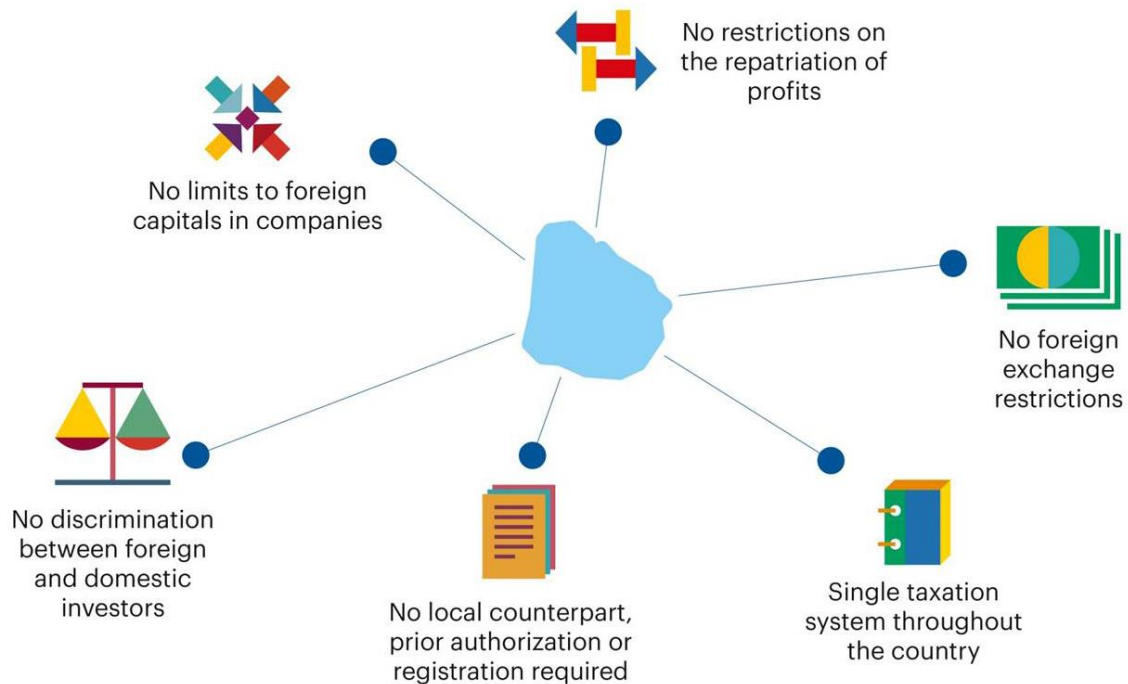
Investors distinguish Uruguay's world class infrastructure (i.e. Latin America's fastest internet download speed, and #2 software exports per capita in LATAM), and excellent quality of life for executives and their families.

Uruguay consistently leads Latin America rankings relevant to potential investors:

	Democracy Index Economist Intelligence Unit, 2017	#1		IT Development Index International Telec. Union, 2017	#1
	Low Corruption Transparency International, 2017	#1		Internet Average Speed AKAMAI, 2017	#1
	Prosperity Index Legatum Institute, 2017	#1		E-Gov Development Index United Nations, 2016	#1
	Rule of law Index World Justice Project, 2017	#1		Quality of living Mercer, 2017	#1

Investors also highlight Uruguay's **attractive tax system** for export operations, qualified and multilingual talent (Spanish, English, and Portuguese) and competitive costs. In addition, foreign investments receive equal treatment to domestic ones, there are no restrictions on capital or profit repatriation, and companies can operate in domestic or foreign currency.

Regulatory framework –| Easy for business



Free Zone Scheme

Free zones have operated in Uruguay for more than 25 years. Companies can use them for all types of activities, but most of them use them for services and logistics. They are **exempted from ALL taxes** (net income tax, VAT, customs duties, property taxes, etc.). There is no tax or retention on dividends paid to shareholders.

Trading Scheme

In terms of trading activities, there is a law that sets a specific framework for trading services, i.e. goods that do not enter to the country. This trading services delivered from Uruguay, have a special incentive: 3% of the net profit is considered from Uruguayan source and only over that 3%, the Uruguayan corporate income tax (IRAE 25%) is applicable (Resolution 51/997).

Free Port/Airport



The only free-trade port on South America's Atlantic coast



One of 7 free airports in the world and the only free airport in South America.

- » Goods exempt from domestic taxes and import surcharges.
- » Free circulation of goods without authorizations or formal processes.
- » Foreign legal entities exempt from Wealth Tax and Corporate Income Tax.
- » Automated operations.

Goods can circulate freely within the country's port/airport terminals, allowing companies to receive ships/aircrafts from overseas without the need of authorizations or special clearance.

During their stay in the port, goods are exempted from all import taxes.

Within the port/ airport, goods can be warehoused, repacked, remarked, classified, grouped or ungrouped, consolidated, manipulated, and/or fractioned (as long as the Mercosur nomenclature NCM- of the goods remains unchanged). Goods can be stored for an unlimited period of time. The destination of the goods can be changed at will, without being subject to restrictions, limitations, permits or previous compliance. In addition, all goods, activities, and services conducted within the ports/airport are duty free. Goods stored under the free port scheme are not subject to the Uruguayan Wealth Income Tax. Terminals are available outside ports to supplement port warehouses. Given the limited space of the ports, these terminals, governed by specific laws, prevent saturation and make operations more agile.

Comparison between Free Trade Zones & Free Airport/Port

In order to choose whether Free trade Zones or Free Airport/Port, is important to focus on the activities that may be carried out in each framework. In the first, companies are able to commercialize, manufacture and provide services, while in the latter manufacturing activities are not allowed. Nevertheless, in Free Airport/Port, the goods' origin is not lost. For more information see [Annex 2](#).

FREE TRADE ZONE	FREE AIRPORT/PORT
NO TAXES	
ORIGIN LOST	ORIGIN REMAINS
STORAGE, REPARATION, MAINTENANCE & EXHIBITIONS	
MANUFACTURING	



market access

Easy access to Brazil / Spanish-speaking countries
 Convenient time zone and cultural affinity
 World-class facilities and connectivity

Given the country's location, language, business history, shared culture and trade agreements, Uruguay is an excellent platform to access markets such as Brazil and Spanish-speaking countries.

As a MERCOSUR member and its Free Trade Agreement with Mexico, Uruguay has access to a market of 398 million people, which represents the 76% and 69% of Latin America's GDP and trade, respectively.

Uruguay is a Mercosur member and has a Free Trade Agreement with Mexico. Together, these markets represent:

- » 398 million people
- » 76% of Latin America's GDP
- » 69% of Latin America's trade



Transport times



Buenos Aires	1.00 h	24 hs
Porto Alegre	1.30 h	24 - 48 hs
Río de Janeiro	4.00 h	72 - 96 hs
São Paulo	2.30 h	72 - 96 hs
Asunción	2.00 h	72 - 96 hs
Santiago	2.30 h	72 - 96 hs
Lima	5.00 h	72 - 96 hs

Truck transport time includes average customs time.

MULTIMODAL SOLUTIONS



TIMING
COST SAVING
PREDICTABILITY
WORLD CLASS COLD-CHAIN STANDARDS

Establishing your RDC in Uruguay is cost-effective. You will be saving time as it makes transportation predictable while using world class infrastructure. What is more important, due to Uruguay's strategic location, you may combine different modes of transportation in order to achieve an efficient distribution process.



talent

Highly skilled and multilingual: Spanish, English, Portuguese
Competitive, adaptable and committed labor force
Free, high-quality public education through college

Human resources in Uruguay are highly competitive due to a combination of several factors, including the high quality of basic, technical and university training and the flexibility and ease of Uruguayan workers to adapt to new production processes or technologies. The Uruguayan workforce has been showing a steady increase in its ability to master other languages, in particular English and Portuguese.

Uruguay has the highest literacy rate in Latin America: 98%. Free public education is provided from kindergarten through university. Also, 6% of the country's GDP is invested in education and 100% of high school students at the age of 15 have already completed at least three years of English and two years of computer science.

The potential of access to talent is complemented by the easiness to getting residency for professionals coming from other Mercosur countries (Argentina, Brazil, Paraguay and Venezuela), who find working and living in Uruguay very attractive.

Moreover, the government provides two useful tools for the global services industry companies. Smart Talent, a free job platform focused on qualified labourforce, which not only helps the company in the search of new employees but also gives the possibility to those looking for jobs of CV checking, take capacity tests and an introduction to the industry. Last but not least, Finishing Schools, a program that subsidizes costs up to 70% of a whole range of training activities to current, new or future employees.

Finishing Schools and Smart Talent

**URUGUAY SUBSIDIES UP TO 70% OF JOB TRAINING COSTS
IN THE SPECIFIC SKILLS REQUIRED BY COMPANIES
TO ESTABLISH OR EXPAND EXPORT OPERATIONS**

Since the Finishing Schools Program started operating, 105 projects have been approved, 3079 people have been trained, and a total of U\$S 2,000,000 has been invested, with a total contribution from the program of U\$S 800,000.

Following this further, Uruguay offers SMART TALENT, a free job opportunities platform focused on global services which offers tests to measure the knowledge of the registered candidates.

Through Smart Talent, companies can post their job vacancies and have access to tested profiles without any charge. It also works as a tool to promote the global services industry among young people in Uruguay through a series of awareness activities. The website was launched on February 2017 and today it has more than 250 global services companies, 14,500 registered candidates, and 16,500 performed tests.




Who can access?

Companies requiring staff to set up or expand their operations of export of services from Uruguay

What kind of support?

Non – refundable contribution up to 70% for the cost of training in soft and technical skills.

How to access?

Once the idea is defined, the company sends its proposals which is evaluated by a specialized committee within 10 days.



A free global services employment website



People

Access to information of the sector, evaluate, apply and share opportunities.

Companies

Post opportunities and access to pre evaluated profiles

Academy

Link their students and graduates with companies of the sector.

Long term policies: One laptop per child

Uruguay's Ceibal Plan is an initiative promoted by the Uruguayan government since 2007, based on the One Laptop Per Child (OLPC) program of the Massachusetts Institute of Technology (MIT).

Uruguay was the first country in the world to provide laptop computers freely to all students and teachers in public schools and high schools. This program has allowed the country to substantially reduce the digital gap and empower future generations to face new employment challenges. In addition, through Ceibal Plan the following goals have been achieved:



- » Connectivity: 100% of schools, high schools and technical universities have fiber optic.
- » Digital gap: has been reduced by 35% to 8% of households during the period 2005-2015.
- » English: Ceibal platform is implemented in English, contributing to the bilingualism of the Uruguayan population



FAST TRACK

Uruguay provides a fast track for Global Services enterprises when certain employees are needed from abroad. In just 8 days the employees will get their residence. This Fast Track is targeted at foreigners located whether in Uruguay or abroad. For further information, [click here](#).

Labor force and education

Around 66% of Uruguay's labor force is concentrated in the Montevideo metropolitan area.

	Country total	Metropolitan Area
Population	3,493,205	2,078,344
Productive Population	62.9%	64.9%
Labor force	1,782,730	1,087,559
Unemployment rate	8.3%	8.3%

Life Science, Business Services and ICT graduates

General	Technician equivalent	Bachelor Degree (University)
Number of Educational Institutions in the Metropolitan Area	42	36
Total number of enrolled students	31,200	151,000
Total annual number of admissions	Not available	30,310
Total annual number of graduates	Not available	8,560
Life Sciences services related studies		% Global Services
Enrolled students	8%	28%
Business Services related studies		% Global Services
Enrolled students	42%	55%
ICT related studies		% Global Services
Enrolled students	40%	7%

Source: Education statistical yearbook 2015 (Published 2016, MEC)

Command of languages

Languages	Reads	Writes	Speaks
English	75%	60%	55%
Portuguese	36%	14%	21%
Others	29%	13%	15%

Source: Uruguay XXI based on university census. UDELAR 2012 (Autoperception of students)

#1
TOEFL ENGLISH
EXAMINATION

TOEFL RANKING

URUGUAY	1
Argentina	2
Brazil	3
Paraguay	4
Peru	5
Suriname	6
Bolivia	7
Ecuador	8
Venezuela	9
Colombia	10

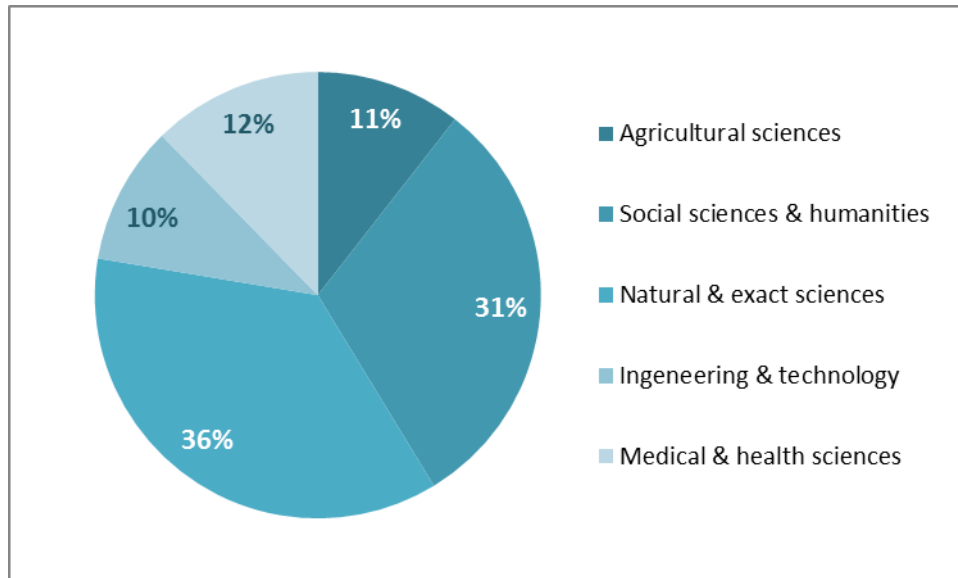
Uruguay is ranked first in TOEFL examination scores in LAC (with 94 points). This way, Uruguay is positioned as second best in all the Americas, and number 17 in the world.

Distribution of graduates by prioritized areas of Life Sciences

Undergraduates and Graduates	Admitted	Graduates	Enrolled
Medical Technology	21%	19%	12%
Medicine	20%	16%	21%
Veterinary	8%	6%	9%
Nursing	8%	12%	9%
Obstetrics	8%	2%	3%
Chemistry	7%	8%	13%
Dentistry	7%	12%	8%
Agricultural Sciences	6%	9%	6%
Nutrition	6%	6%	5%
Biological Sciences	4%	3%	5%
Pharmaceutical Sciences	2%	3%	5%
Food Engineering	1%	3%	3%
Biotechnology	1%	2%	1%

Researchers registered in the National Agency for Innovation and Research²

Of a total of 1,744 surveyed researchers who comprise the National System of Researchers, **69%** work in areas of interest to the Life Science industry, as can be seen in the next chart:



²The National Agency for Research and Investigation (ANII, for its Spanish acronym) has systematized and classified researchers, areas of knowledge and international journals in which it publishes, embodied in the National System of Researchers (SNI, for its Spanish acronym).



lifestyle

Relaxing and enjoyable place to live
Vast cultural, educational and health amenities
Friendly and polite people

Uruguay's capital city of Montevideo (1.3 million inhabitants), Punta del Este and other offer excellent living conditions for executives and their families, including quality free health services and education. More and more foreigners are choosing Uruguay as their place of residence.

Residents enjoy Uruguay's pleasant climate, friendly people, and a relaxed and calm pace of life.

Quality of life

#1
Latin America
Quality of Life

Mercer (2018)

City	Latin America
Montevideo	1
Buenos Aires	2
Santiago	3
Panama City	4
Monterrey	5
San José	6
Asunción	7
Rio de Janeiro	8
Quito	9

Uruguay ranks as one of the safest countries in Latin America on the Latin Security Index, developed by FTI Consulting for Latin Business Chronicle. The index measures security for multinational executives. According to the **2017 Mercer Quality of Living Index**, Montevideo stands as the best place to live in Latin America. The ranking is based on a variety of factors including political stability, criminality, law enforcement, monetary exchange legislation, banking services, personal freedom, natural disaster registration, among others.

Liberal immigration laws are attracting a wave of talented executives who can legally reside and work in the country while their resident visa applications are being processed.

Uruguay is conducting a series of measures in terms of personal freedom that position the country in the spotlight. For example as a result of being the first country in Latin America to legalize gay marriage and to enact other daring social reforms, the prestigious news weekly

The Economist named Uruguay its first-ever Country of the Year.

In addition, Uruguay's middle class is the largest in Latin America. This means that besides being a country where you can live in a relaxed and friendly environment, the excellent levels in terms of social equality enhance even more the lifestyle indicators.



Buceo's Coastline.
Montevideo, Uruguay

Annex 1 | Business Models for Regional Distribution Centers (RDC)

What are the specific advantages of logistics through Uruguay?

As a Gateway:

Safe and agile entry:

- » 94% of shipments dispatched in fewer than 8 hours
- » Containers removed from port premises in fewer than 48 hours
- » Quick border crossings

Reduced costs:

- » Financial (deferred costs)
- » Economic (stock reduction)
- » Operative (efficiency gains resulting from consolidation)
- » Tax breaks for companies and merchandise

As a Regional Distribution Center:

Inventory optimization

- » Centralization of regional inventories at heart of Mercosur

Reduced costs

- » Financial (deferred costs)
- » Economic (stock reduction)
- » Operative (efficiency gains resulting from consolidation)
- » Tax breaks for companies and merchandise

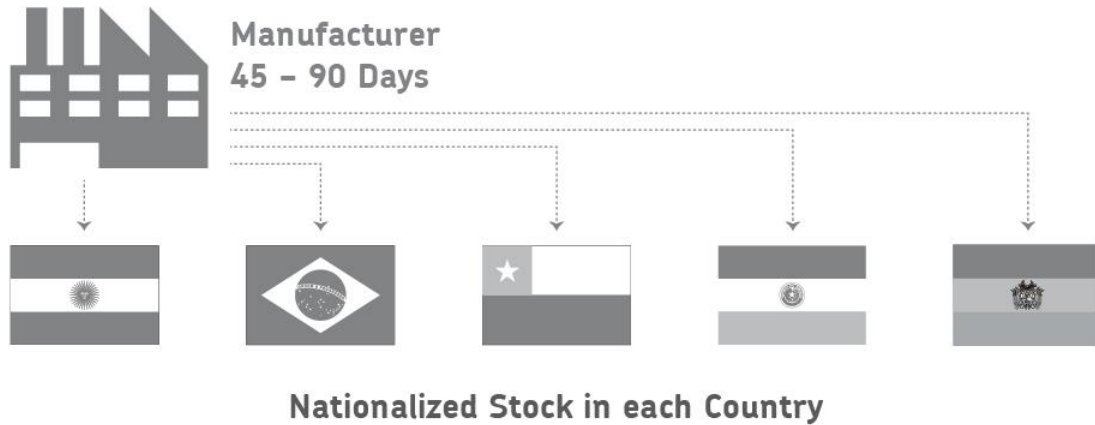
Improved service

- » Faster speed to market
- » VAL services and benefits, including customization
- » Flexibility (reallocation of destinations)
- » Client maintains ownership of goods

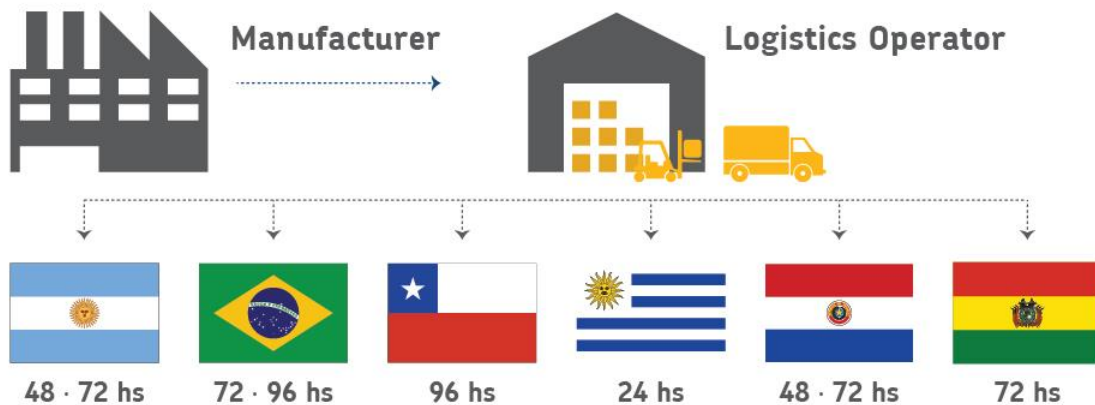
Lower risk

- » Option of having goods in US dollars
- » Protection from global economic uncertainty or political turbulence

TRADITIONAL LOGISTICS



RDC LOGISTICS



Uruguay is a smart choice, with an efficient, agile, non-bureaucratic and competitive port, with frequent vessel routes to all Brazilian ports.

Ocean freight from Uruguay to Brazil is more economical than Brazilian inland freight. By reducing the CIF value of goods, the Uruguayan – Brazilian freight route reduces the Merchant Navy Tax, as well as all duties related to the Brazilian taxation.

For example, a 40-foot container shipped by ocean from Montevideo to Recife costs 20% less than a container shipped inland between Sao Paulo and Recife. Similar savings apply to other Brazilian destinations.

Since the Port of Montevideo is the only free port in South America; Uruguayan storage costs are also more economical than Brazilian ones.

Three different **BUSINESS MODELS**, with different characteristics:

- » The simplest model is **URUGUAY AS THE ENTRY TO THE REGION**
- » The second one is **URUGUAY AS REGIONAL DISTRIBUTION CENTER**
- » The third is **URUGUAY AS A REGIONAL DISTRIBUTION AND CUSTOMIZATION CENTER FOR THE REGION**

We will analyze them one by one and describe the different types of logistics operations that are involved.

The simplest situation would be the one where an exporter might consider using our platform simply as a port of entry, using intermodal transport to get to final destination.

The main reason for using this procedure would be timeliness and predictability, of course supposing that there is a cost efficient situation also.

The operation consists of unloading goods and cross docking to another transport mode with minimum time (one day).

Uruguay as a gateway to the region



A more complex operation would include a **REGIONAL DISTRIBUTION CENTER** in Uruguay. This type of operation could be used by an exporter from any country who would like to manage an inventory in Uruguay and send to market on just in time basis, but not keeping unnecessary high stocks in each country.

Logistics operators in Uruguay would provide full inbound services from port or airport to warehouse, giving shelf space on a volume based price. Today's clients are working with different types of products and with storage times of 45 days on average.

Upon receiving orders, these would be prepared and dispatched in one or two days. Once again, Mercosur origin can be preserved in FREE PORT and AIRPORT regimes and in BONDED WAREHOUSES, but not in the FREE ZONES.

Uruguay as a Regional Distribution Center



The last model would include customization in the REGIONAL DISTRIBUTION CENTER, accommodate goods for the requirements of different clients or different countries.

You must consider that South America is not a uniform economic block, so labeling regulations, warranty description, electric and electronic parts regulations, for example plugs, and other aspects, require differentiation of products, either in the packaging or even in the product itself.

So if an exporter wants to manage a centralized inventory for more than one country, obviously it will be necessary to apply some type of process to the products.

Logistic operators have a high expertise for these value added activities, and usually analyze process required by their clients and provide tailor made procedures and costs.

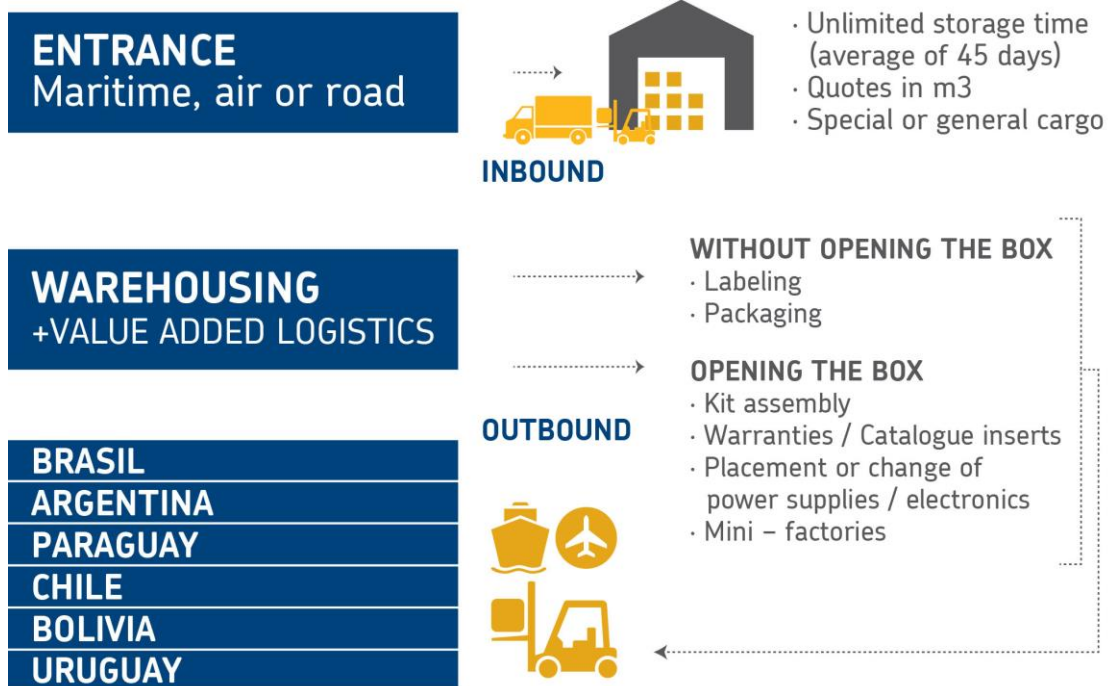
Value added operations can be classified in two types.

Those that do not require opening the box - mainly labeling and packaging - and those that require opening the box to manipulate the product.

Typical operations like:

- >> Kit assembly
- >> Catalogue and warranty inserts
- >> Placement or replacement of electric or electronic parts
- >> and even more complex processes that require organizing “mini factories”.

Uruguay as a Distribution and Customization Center to the region:



Annex 2 Comparison between logistic systems

	Free Trade Zones (FTZ)	Free Port/Airport	Free Non-Port storage
Authorized activities	Commerce, Manufacture, Services	Storage, Commerce, Reparations and maintenance, exhibitions or similar activities, Logistics	Storage, Commerce, reparations and maintenance, exhibitions or similar activities, Logistics
Taxation	<p>Inside FTZ companies are exempted from created and future taxes</p> <p>Flexible Social Security: foreign employees may choose social security system (national or foreign).</p> <p>Government guarantor of the exemption</p>	Goods are exempted from import & corporate taxes, VAT and non residents income tax.	Goods are exempted from import taxes.
Time in the warehouse	No restrictions	No restrictions	5 years (non-extendable)
Origin System	Origin is lost. (Decision 08/94)	Origin not affected by this system	Origin not affected by this system
		The validity of the certificate is taken from the departure of the merchandise from the warehouse (180 days)	The validity of the certificate is taken from the departure of the merchandise from the warehouse (180 days)
		Goods may be fragmented, issuing derivative origin certificates	Goods may be fragmented, issuing derivative origin certificates

Sources: INALOG (National Logistics Institute) and PWC

Annex 2 | Regulatory Framework

2.1. Promotion of Domestic and Foreign Investments

Uruguay is very attractive compared with other countries that receive investments from the rest of the world, and for several years now, it has had an active policy to promote investments in the country.

Investment law - Law 16,906 (1998) declares of national interest the promotion and protection of domestic and foreign investments. One of its main features is that foreign investors are granted the same incentives as local investors and there is no tax discrimination or restrictions for transferring profits abroad.

Decreets 455/007 and 002/012 updated the regulations of said law. For any investment projects submitted and promoted by the Executive Branch, it is possible to compute as part of the tax payment (IRAE - Corporate Income Tax) between 20% and 100% of the invested amount, depending on the type of project and the score attained on the basis of a matrix of indicators. The IRAE nationwide flat rate is 25%. Wealth tax on movable fixed assets and civil works is also exempted, and the VAT included in the purchase of materials and services for civil works can be recovered. Likewise, the law exempts import duties or taxes on movable fixed assets that have been declared non-competitive with the domestic industry.

2.2 Government General Export Incentives

Free Zones Law

Free Zones in Uruguay are regulated by Law No. 15,921 of December 17, 1987. They can be operated on a private or state basis. Free Zones can be operated by the State or duly authorized private entities. Free Zones under private operation are administered, monitored and controlled through the General Trade Office - Free Zone Area, Ministry of Economy and Finances. This office is the main point of contact for all the regulations, permits and controls regarding Free Zones in the country. As for state operated free zones, this is the area in charge of their management.

Free Zones can operate in trade, industrial or service activities. Moreover, companies in Free Zones can provide services to other countries and, in some cases, to Uruguay.

Businesses authorized to operate from Free Zones may be natural or legal persons under any corporate form. As for legal persons, there are no restrictions on their form but they need to have an exclusive purpose. There is no distinction between domestic or foreign investments and the latter are not required to meet any special process or requirement. Foreign companies are allowed to set up branches. Up to 25% of their staff can be foreign.

Goods can be indefinitely kept in the free zones and their destination can be changed at any time. Benefits granted to companies set up in Free Zones include the following areas:

- » 100% Exemption from Corporate Income Tax (IRAE), Wealth Tax (IP) and any other current or future domestic tax. The State is the guarantor of this exemption.
- » Dividends distributed among shareholders with residence abroad are also tax-exempt in our country.
- » Foreign personnel may choose to contribute to social security in Uruguay or in their country of origin.
- » Sales and purchases of goods and services to and from abroad are VAT exempt.
- » Sales and provision of services within Free Zones are also VAT exempt.
- » Non-resident entities are also IRAE exempt regarding activities developed with foreign goods declared in transit or kept within Free Zone, when they are not bound for the national customs territory. They are also IRAE exempt when sales bound for the national territory do not exceed 5% of the total disposals of goods in transit or kept within Free Zone.
- » Goods traded by Free Zones with the rest of the world are exempt from customs duties.

Law amendment project: Special Economic Zones

Throughout these 25 years of validity, Free Zones regulatory framework has been successful in attracting investments, creating jobs and diversifying exports. The Special Economic Zone Bill which updates Law No. 15,921 is generally aimed at making two adjustments. On the one hand, it updates and distinguishes the outlined purposes and, on the other hand, it expands the scheme in order to foster activities that promote countrywide development within a context of deep transformation at global and local levels.

A new particular form called Service Theme Zones, aimed at promoting activities in the health care, amusement and entertainment, and audiovisual areas is included.

Additionally, there has been a proposal to reduce the minimum percentage of 75% national workforce for industrial and commercial activities to 50% for services companies. Moreover, additional benefits are granted to developers who submit inland projects as a means to develop economic processes with regional significance.

Finally, it is worth mentioning that all rights acquired by already setup companies remain unchanged as a sign of the stability and continuity of the scheme (which has remained unaltered for six periods of government under three different political parties). In line with this, the abovementioned changes have no effect on the international agreements executed by Uruguay regarding Free Zones.

The bill was submitted to parliament by the Executive Branch and at the date of publication of this report it was under consideration by the Senate Committee on Finance.

Free Ports and Airports

Free Ports in Uruguay are regulated by Law No. 16.246 of April 8, 1992 and C.A.R.O.U. The Free Port regime represents one of the mainstays for Uruguay to be positioned as a logistic platform in Mercosur and as a distribution center for goods in transit.

In view of Port Law No. 16.246, Montevideo is the first terminal of the Atlantic coast in South America to operate under a "Free Port" system.

This scheme also applies to the commercial ports of Colonia, Fray Bentos, La Paloma, Nueva Palmira, Paysandú, and Puerto Sauce, as well as Carrasco International Airport. When operating in a free port, goods circulate freely without the need for permits or formal procedures. During their stay at the port customs area, goods are exempt from all import taxes or import-related taxes.

Since the adoption of the Uruguayan New Customs Code (C.A.R.O.U.), warehouses are not limited to those numbered by the article 2 of the Law 16.246 and its Regulatory Decrees. The same have been expanded, covering a larger range of possibilities, all in accordance with the provisions of the C.A.R.O.U.

a) Storage warehouse: The goods may only undergo operations aimed to: ensure the recognition, preservation, lot splitting or volume fractioning, and any other operation that does not alter their value or change their nature or features.

b) Commercial warehouse: The goods may undergo operations aimed to: facilitate their trading, increase their value or alter their nature or status.

c) Overhaul and maintenance warehouse: Used for goods that may be subject to repair and maintenance services, not modifying their nature.

d) Temporary storage warehouse for exhibitions and similar activities: storage of foreign goods entered for the purpose of trade shows, demos, fairs or similar activities, following the authorization of the National Customs Directorate.

e) Logistics warehouse: the goods may undergo operations that alter their status or nature, provided their origin is not altered; those activities may consist of: assemblage or mounting; mixes; insertion or replacement of parts, pieces or accessories; setup of hardware; installation of software; packing, packaging, labeling or addition of other products always used for the marketing of goods that are to exit the warehouse; and other similar operations established by the Executive Power.

The regulation incorporated through the C.A.R.O.U. establishes that goods that enters into the ports may remain for a maximum of five years, which term is renewable.

Apart from the abovementioned customs benefits, the movement of goods and the rendering of services carried out within the port customs area are all VAT exempt.

Moreover, goods placed under free port scheme are not included in the taxable base for Wealth Tax or Income Tax purposes.

Unlike what happens with the Free Zone system, merchandise under the Free Port system does not lose its origin, both if it is reexported in identical conditions as imported and if it was subject to operations which did not alter the nature of the product or its origin. In this sense, several agreements signed by Uruguay, including Mercosur and Israel, include a system of certificates of origin which facilitate the type of operation provided for in the Free Port system.

Temporary admission

The Temporary admission scheme is provided for by Law 18,184 and Regulatory Decree 505/09. This authorizes tax-exempt introduction of foreign goods into the market to be subsequently exported within a set timeframe of five years.

These goods can be reshipped both in the condition they were introduced ("as-is") or after having undergone specific transformation, manufacturing, repair or value-adding processes. Machinery and equipment of any origin, which enter into the country on a temporary basis for its repair, maintenance, update or use, are also protected by this system.

Interested industrial companies may apply for the import of goods under the Temporary Admission scheme with LATU (Laboratorio Tecnológico del Uruguay – Uruguay's Technological Laboratory), the authorizing entity.

Law 18,184 further offers Stock-taking and Draw-back mechanisms. The Stock-taking mechanism consists of replacing goods imported under the general scheme with the import of similar goods, free from taxes and levies, when they have been used as input for the transformation of exported products in the country. The Draw-back mechanism gives the possibility to claim the refund of taxes and levies paid for the import under the general scheme of goods which, by definition, can be imported under temporary admission and which were used in the country for the manufacture of products bound for export.

Reimbursement of VAT paid when purchasing supplies

VAT paid in purchases is generally recovered by discounting VAT invoiced in sales, paying the State just the difference thereof. Since in exports (of goods and services) said tax is not invoiced, the reimbursement of VAT included in the purchase of materials is authorized directly upon the company's request. The Tax Administration Office (DGI) issues credit certificates which may be used to pay other taxes.

Decree No 220/998 lists the transactions covered by the concept of services exports.

By way of example the following are mentioned: international broadcasting of television material produced in the country, logistics support services to international cinema and TV production companies, consultancy services provided to people abroad, services rendered to people abroad in the design, development and implementation of specific logistics support, services rendered by international call centers provided that their main activity is destined for the external market, data processing, services provided for the design, development and implementation of digital contents, market and social research services, and advertising services rendered by advertising agencies to customers overseas.

2.3 Specific Government Incentives for Life Sciences services

Shared Services Centers: IRAE and Wealth Tax exemptions

Decree No. 251/014 lays down that the activity developed by Shared Services Centers (consultancy and data processing services provided to related parties which are exclusively used overseas) was promoted under Law 16,906. The activities are subject to a 90% exemption of IRAE and Wealth Tax (IP) applicable to assets attached to such activities for a term of five years, provided that:

- » They have created at least 150 new direct qualified jobs by the end of the first three years, which must be kept until the end of the fifth year inclusive. At least 75% of said jobs must be held by Uruguayan citizens (provisional reductions may be authorized).
- » They implement a Training Plan which provides for an outlay (in Indexed Units) by way of training of Uruguayan citizens of at least UI 10,000.000 (approximately U\$S 1,200,000) during the aggregate of the first three years.
- » They boast new undertakings.

The exemption term shall be of ten years when (i) the minimum number of jobs exceeds 300 by the end of the first five years and are kept until the end of the exemption period; and (ii) the outlay in training exceeds the UI 20,000,000 during the first six years.

Promotion of biotechnological activity

Decree No. 011/013³ provides for the promotion of activities that generate biotechnological products, services and processes applicable to different strategic production sectors, prioritizing the agricultural, environmental, human and animal

³ http://www.mef.gub.uy/unasep_industria_biotechnologia.php

health sectors. The Executive Branch, in consultation with the Biotechnology Sector Council, shall review said prioritization every two years and may include new sectors to be promoted in biotechnological development.

To be eligible for the benefits under the decree, at least one of the following alternatives should be satisfied: implementation of a Program for the Development of Suppliers of biotechnological products and services; the company should be a micro, small or medium sized company in the industry of biotechnological products and/or services; or it should be a new company that will produce biotechnological products and/or services.

Legislation provides for the exemption from Corporate Income Tax (IRAE, for its Spanish acronym) on income derived from promoted activities, according to the following percentages and terms:

- a) Fiscal years beginning between 1 January 2012 and 31 December 2017: 90%.
- b) Fiscal years beginning between 1 January 2018 and 31 December 2019: 75%.
- c) Fiscal years beginning between 1 January 2020 and 31 December 2021: 50%.

Biotechnology Law

The law 19.317⁴ passed on February 2015, promote all the activities related to Biotechnology activities. Promoted activities include: a) clinical research, b) technology transfer towards the productive sector of goods and services, c) those aimed at developing new biotechnological enterprises and their commercialization, d) the incorporation of Biotechnology in every productive process, e) the stimulus of the demand through a system of public purchases that foment the development of Biotechnology, f) education at all levels and the dissemination of biotechnology throughout the population and e) every other activity related to the sector.

The Law establishes three main point, involving the creation of:

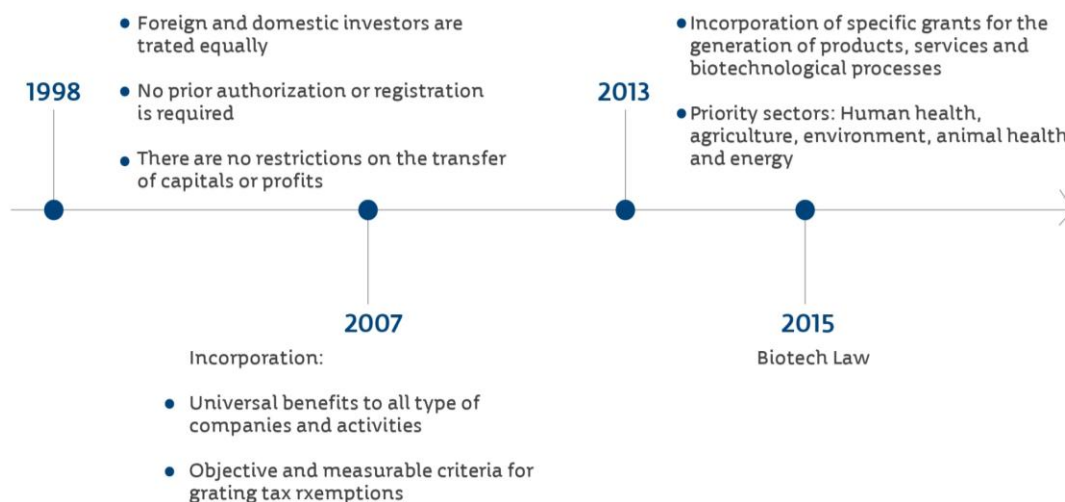
- » A fund to foment the related activities
- » A Sectorial Council of Biotechnology
- » Register of Biotechnology companies and enterprises

⁴ <https://legislativo.parlamento.gub.uy/temporales/leytemp5759985.htm>

Procurement Subprogram for the Pharmaceutical Industry

Decree 194/014⁵ creates the Government Procurement Subprogram for the Pharmaceutical Industry. It is applicable to procurements carried out by the three branches of government, the State Audit Court, the Electoral Court, Contentious-Administrative Court, departmental governments, autonomous bodies and decentralized services, public education bodies and, in general, all agencies, services and government bodies.

Fostering the Biotech and Pharmaceutical Industry – Legal Framework timetable



⁵ http://archivo.presidencia.gub.uy/sci/decretos/2014/07/miem_1153.pdf



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