

Government of Puerto Rico

Fiscal & Economic Progress Update

Presentation to Rating Agencies

December 9th and 10th, 2025
New York, NY



Disclaimer



The Government of Puerto Rico, its instrumentalities and agencies (the “Government”), the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), and each of their respective officers, directors, employees, agents, attorneys, advisors, members, partners or affiliates (collectively, with AAFAF and the Government, the “Parties”) make no representation or warranty, express or implied, to any third party with respect to the information contained herein and all Parties expressly disclaim any such representations or warranties. The Government has had to rely upon preliminary information and unaudited financials. As such, AAFAF and the Government have made certain assumptions that may materially change once those financial statements are fully audited. The Parties do not owe or accept any duty or responsibility to any reader or recipient of this presentation, whether in contract or tort, and shall not be liable for or in respect of any loss, damage (including without limitation consequential damages or lost profits) or expense of whatsoever nature of such third party that may be caused by, or alleged to be caused by, the use of this presentation or that is otherwise consequent upon the gaining of access to this document by such third party. The Parties do not undertake any duty to update the information contained herein.

This document does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants or any other organization. Accordingly, the Parties do not express an opinion or any other form of assurance on the financial statements or any financial or other information or the internal controls of the Government and the information contained herein. Any statements and assumptions contained in this document, whether forward-looking or historical, are not guarantees of future performance and involve certain risks, uncertainties, estimates and other assumptions made in this document. The economic and financial condition of the Government and its instrumentalities is affected by various legal, financial, social, economic, environmental, governmental and political factors. These factors can be very complex, may vary from one fiscal year to the next and are frequently the result of actions taken or not taken, not only by the Government, but also by Financial Oversight and Management Board for Puerto Rico and other third-party entities such as the government of the United States, including without limitation actions by the Federal Emergency Management Agency, actions related to Medicaid or the Affordable Care Act and actions under the Community Disaster Loans Program. Because of the uncertainty and unpredictability of these factors, their impact cannot be included in the assumptions contained in this document.

Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied commitment to do or take, or to refrain from taking, any action by AAFAF, the Government, or any government instrumentality in the Government or an admission of any fact or future event. By receiving this document, the recipient shall be deemed to have acknowledged and agreed to the terms of these limitations. This document may contain capitalized terms that are not defined herein or may contain terms that are discussed in other documents or that are commonly understood. You should make no assumptions about the meaning of capitalized terms that are not defined, and you should refer questions to AAFAF should clarification be required.

This document does not constitute an offer to sell or the solicitation of an offer to buy or restructure any security, nor does it constitute an offer or commitment to lend, syndicate or arrange a financing, underwrite or purchase or act as an agent or advisor or in any other capacity with respect to any transaction, or commit capital, or to participate in any trading strategies, and does not constitute legal, regulatory, accounting or tax advice to the recipient. Nothing in this document shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a particular course of action or transaction, to purchase or sell any security, or to make any investment decision.

Presentation Team – Government of Puerto Rico

GOVERNOR

Hon. Jenniffer González Colón
Governor of Puerto Rico



PUERTO RICO FISCAL AGENCY
AND FINANCIAL ADVISORY AUTHORITY

AAFAF

GOVERNMENT OF PUERTO RICO

Francisco J. Domenech, Esq.
*Chief of Staff | Government of Puerto Rico Executive
Director | Puerto Rico Fiscal Agency and Financial
Advisory Authority*



Table of Contents

Executive Summary	5
Critical Initiatives	8
Fiscal Update	11
Federal Funds and Reconstruction	16
Economic Development Initiatives	19
Economic Data	28
PREPA T3 Status	38

Executive Summary



Executive Summary – Power Generation

Since January 2025, the Government has added substantial generation capacity and launched major modernization projects to improve grid reliability and lower electricity costs.

New Generation Capacity

- **1,200 MW of new generation capacity added since January 2025** (37.4% increase in current generation), preventing predicted summer 2025 blackouts

Four Modernization Projects Underway

- 800 MW temporary generation
- 430 MW Tesla Megapack battery storage
- 3,000 MW of permanent generation under competitive bidding
- ~600 MW in new generation renewable energy + 200 MW batteries (via Executive Order 2025-047)

Expected Outcomes

- Lower electricity costs, increased fuel mix diversity, and dramatically improved system reliability

LUMA Accountability

- **Implemented unprecedented LUMA accountability and oversight measures**, including blocking harmful operational changes such as the elimination of night crews

Executive Summary – Fiscal and Economic Development Progress

Since January 2025, the Government has achieved important milestones on fiscal matters and economic development initiatives.

Fiscal Milestones

- ✓ First balanced budget certified by the Oversight Board since its creation
- ✓ Robust TSA balance of \$10.2 billion as of November 21, 2025, including plan of adjustment and other reserves, \$1.3 billion in emergency reserves and \$1.0 billion in working capital reserves to offset intra-fiscal year revenue seasonality.
- ✓ General Fund revenues have grown at a **4.8% compounded annual growth rate over the last nine years**, driven mainly by increased tax compliance and economic activity

Federal Benefits Protected

- ✓ Maintained SNAP & WIC benefits to 1.2+ million residents during federal shutdown

Economic Development Achievements

- ✓ Since January 2025:
- ✓ 17 manufacturing company expansions
- ✓ 4,000+ new jobs created
- ✓ \$2.2+ billion in economic investment
- ✓ Construction employment at 16-year high
- ✓ Non-farm payroll: 966,500 jobs (+14,500 year-over-year)
- ✓ 15 new direct routes to U.S. cities and the international destinations

Permitting Reform

- ✓ 7,000+ additional permits issued vs. the previous year, substantially reducing backlog
- ✓ Timeline for evaluation of new incentives applications reduced from 302 days to 89 days

Infrastructure Recovery

- ✓ Department of Transportation cleared 187+ landslides (including Hurricane Maria backlog)

Critical Initiatives



Critical Initiatives – Audited Financial Statements

The Government is actively working to complete its audited financial statements in a timely manner. However, PREPA's ongoing bankruptcy proceedings and lack of cooperation from Luma continue to pose challenges in issuing the FY2023 audited financial statements.

FY2023

- ✓ PREPA, which is a major discretely presented component unit of the Government, continues to work on its FY2023 financial statements (AFS).
- ✓ It is expected that the Government's FY2023 audited financial statements will be issued shortly after the issuance of PREPA's FY2023 AFS.
- ✓ The Government will publish a new EMMA notice before year end with revised estimated issuance date.

The Government remains committed to allocating significant resources to ensure the timely issuance of its audited financial statements, with the implementation of a new ERP system as a pivotal initiative.

Critical Initiatives – Enterprise Resource Planning (ERP)

The following represents the Government of Puerto Rico's restructured three-phase implementation plan for the new ERP system.

Phase 1: Finance & Procurement

Finance Component:

- Current Status: SIT 10 & 11 completed, SIT 12 underway
- Q1 2026: UAT 1 & 2 (interface adaptation & functionality testing)
- **Go-Live: July 1, 2026**

Procurement Component:

- Scope redefinition starting January 2026
- **Go-Live: February 2027** (formal dates TBD)

Phase 2: Human Capital

- Current Status: Second User Functionality Testing (FUT) stage
- August & October 2026: UAT 1 & 2
- **Go-Live: January 2027**



Phase 3: Remaining Entity Integration

Public corporations, judicial & legislative branches

- 2 entities complete before Phase 3 begins
- AAFAF + 3 entities in progress
- **Estimated completion: End of 2027**
- *Critical dependency: Statute requiring unified system across all 120 entities*

ACFR Module

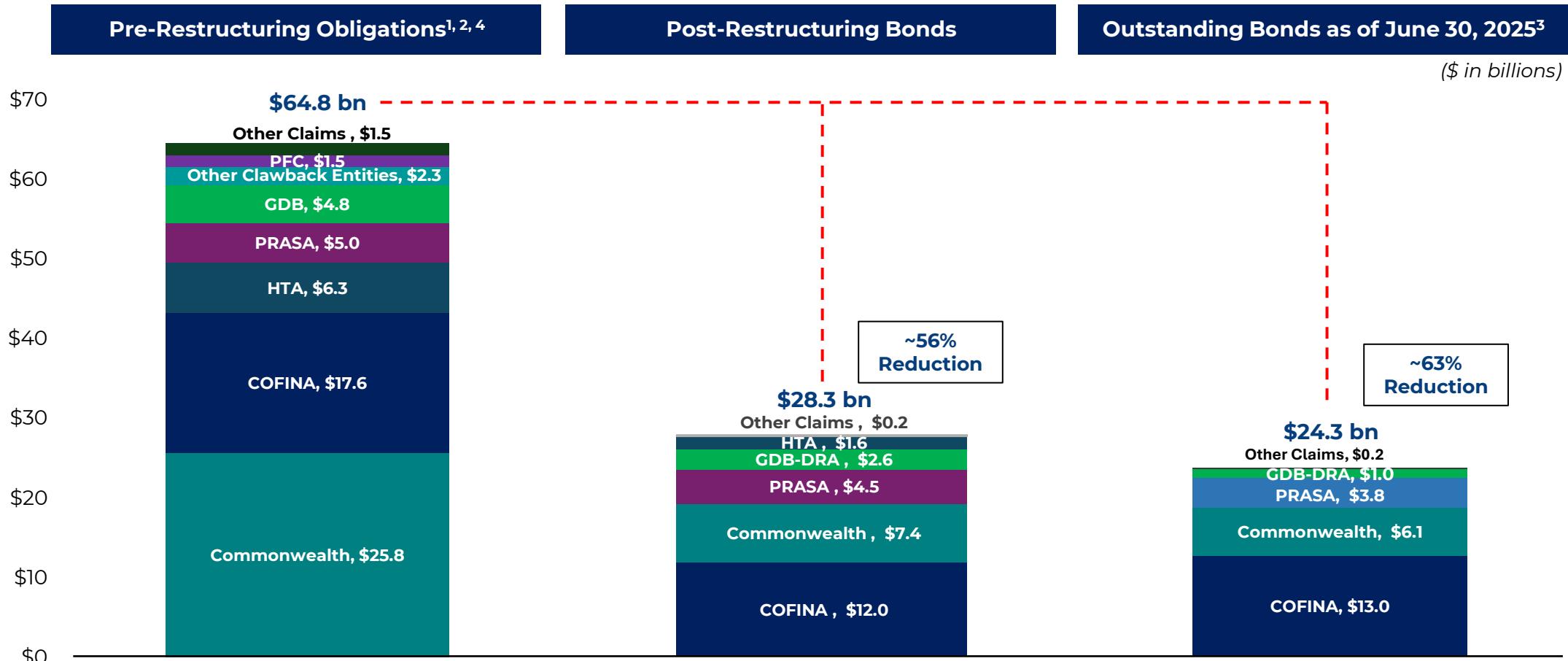
- Module complete; FY 2022-2023 compilation test begins January 2026
- Target: Catch up on FY 2023-2024 & 2024-2025 statements by calendar year 2026

Fiscal Update



Fiscal Progress | Pre- & Post-Restructuring Obligations

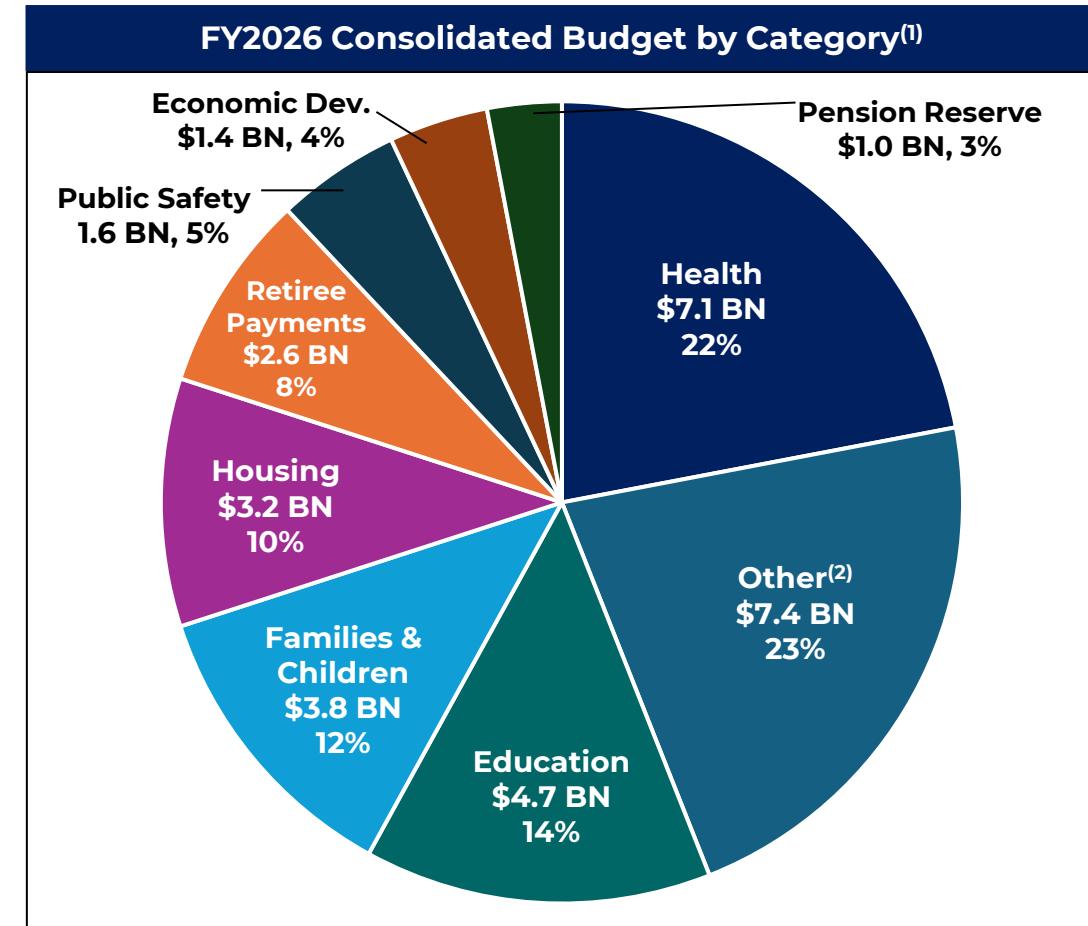
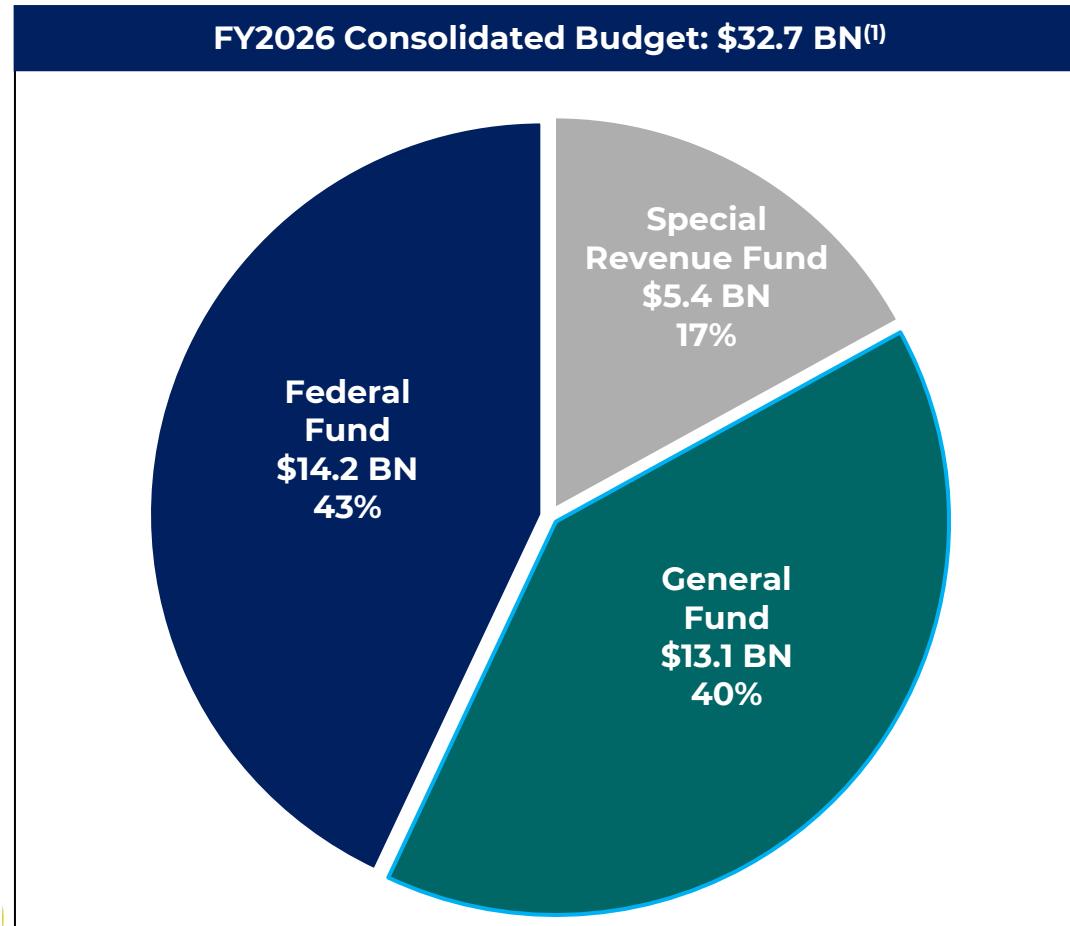
As of June 30, 2025, Puerto Rico has completed restructurings and reorganizations of Puerto Rico issuers under Title III, Title VI and Section 207 of PROMESA, reducing pre-restructuring claims from **~\$64.8 billion to ~\$24.3 billion, or ~63%**.



Notes: (1) Other Clawback claims include ~\$2 billion PRIFA and ~\$300 million CCDA and MBA. (2) Commonwealth includes GO/PBA claims of ~\$19 billion, estimated GUCs ~\$3 billion, other miscellaneous claims of ~\$700 million, and ERS claims of ~\$3 billion. (3) GO, COFINA and PRASA balances are as of June 30, 2025, GDB balance is as of August 20, 2025, and Other Claims balance is as of July 15, 2025. (4) Other Claims includes obligations of PRIDCO, TDF, CRIM, Ports, EDB, DRA Loan Package and PRIFA (non-rum bonds).

Fiscal Progress | FY26 General Fund Certified Budget

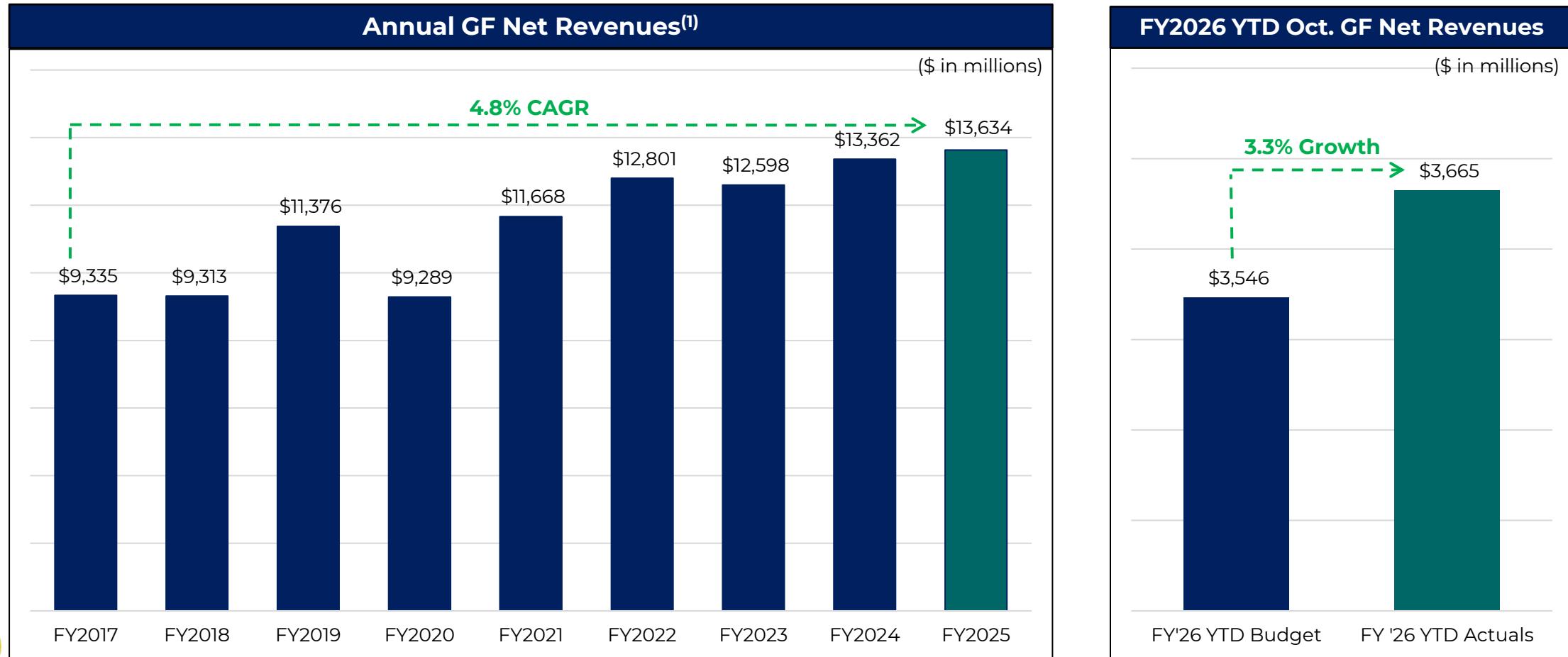
On June 27, 2025, the Oversight Board certified the Government's budget for FY2026, which includes a consolidated budget of \$32.7 BN and a general fund budget of \$13.1 BN. This marks the first jointly certified budget since the Oversight Board's inception in 2016.



Notes: (1) Source: Fiscal Year 2026 Budget for the Commonwealth of Puerto Rico. (2) 'Other' includes Debt Service, Gaming Services, Judicial & Legislature, Insurance, and unspecified Other.
Source: Fiscal Year 2026 Budget for the Commonwealth of Puerto Rico.

Fiscal Progress | General Fund Revenues

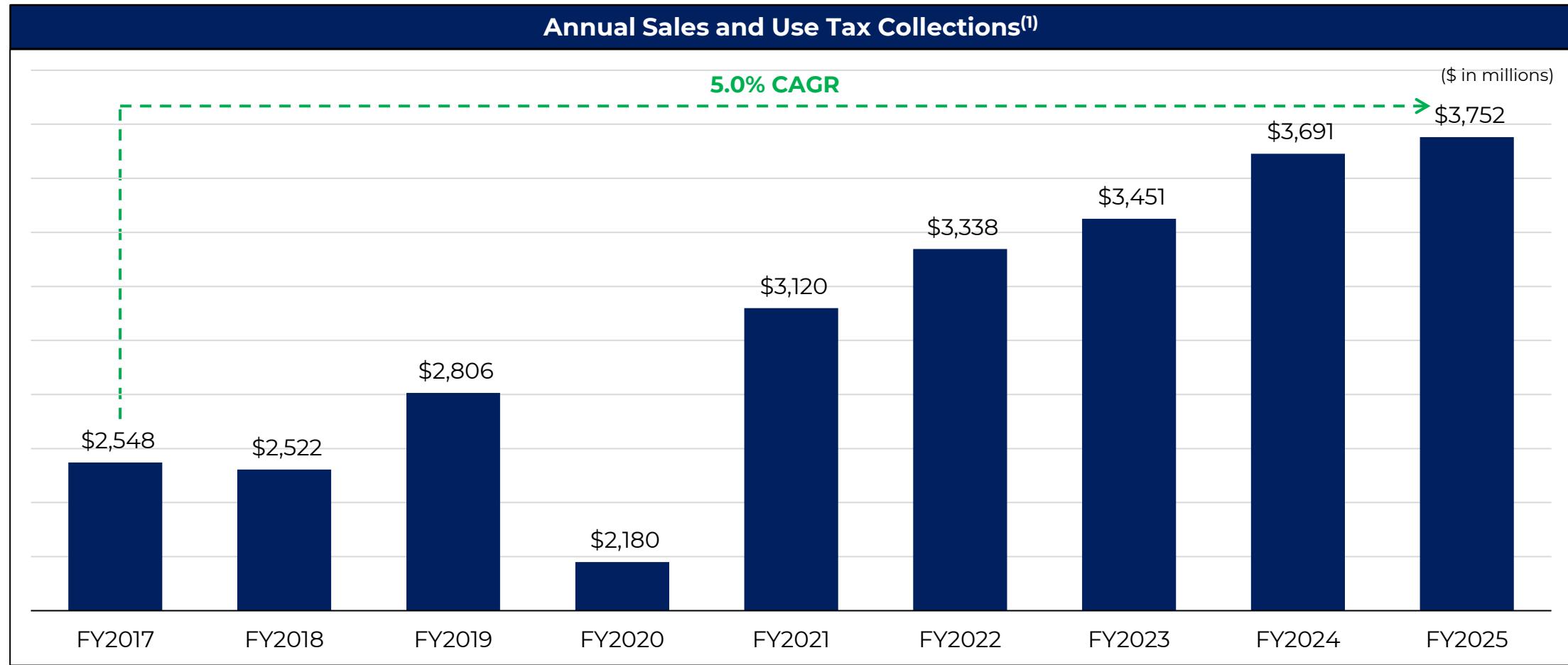
General Fund Revenues have grown at a **4.8% CAGR over the last nine years**, driven mainly by increased tax compliance and economic activity.



Notes: (1) Sourced from <https://hacienda.pr.gov/inversionistas/estadisticas-y-recaudos-statistics-and-revenues/ingresos-netos-al-fondo-general-general-fund-net-revenues>

Fiscal Progress | Sales and Use Tax Collections

Sales and Use Tax collections have increased at a **5% CAGR from FY2017 through FY2025**, representing an overall increase of 47%. The significant increase in collections has been driven by increased compliance and economic activity.



Federal Funds & Reconstruction



Federal Funding | Financial Summary

The supplemental Federal disaster grant assistance offered to state, local, and non-profit organizations through programs led by FEMA, HUD or Other Recovery Funds are fundamental to Puerto Rico's recovery and reconstruction efforts.

Funding Source	Funds Allocated	Funds Obligated	Funds Disbursed	% of Obligated Funds Disbursed	Total Obligated Funds Pending Disbursement
FEMA Funds	\$55,091,380,449	\$51,975,373,829	\$25,508,400,159	49%	\$26,466,973,670
HUD Funds	\$20,444,496,230	\$20,444,496,230	\$4,595,654,634	22%	\$15,848,841,596
Other Funds¹	\$9,883,879,749	\$6,092,385,062	\$4,437,590,829	73%	\$1,654,794,233
American Rescue Plan Act	\$4,016,359,286	\$4,016,359,286	\$3,912,564,875	97%	\$103,794,411
CARES Act	\$2,231,854,854	\$2,231,854,854	\$2,231,854,854	100%	\$0
Total	\$91,667,970,568	\$84,760,469,261	\$40,686,065,351	48%	\$44,074,403,910

Federal Funding | Status of Projects by Stage

Project Stage	September 2025	September 2024	YoY Change (#)	YoY Change (%)
Design Award	2,357	2,045	+312	15%
Design	3,040	2,558	+482	19%
Permitting	80	71	+9	13%
Construction Award	2,688	2,085	+603	29%
Construction	5,060	4,229	+831	20%
Completed	5,089	4,005	+1,084	27%
Total	18,314	14,993	+3,321	22%

Economic Development Initiatives



Economic Development

The Government is focusing its economic development efforts in improving ease of doing business, competitiveness, quality of life, and resilience.



Permits Reform



**Maximize Incentives
Code**



Reshoring



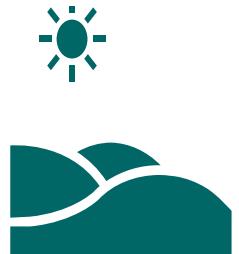
Attract youth



Support SMEs



Workforce Training



Opportunity Zones



P3s



Government Support



**Multisectorial
Ecosystem**

Modernization and Streamlining of Governmental Structure

Through EO-2025-009, 87 obsolete guidelines have been repealed, helping reduce backlogs and reducing timeline for approval of incentives code applications.

Objectives:

- Eliminate obsolete guidelines
- Develop clearer and more agile processes
- Offer more efficient services to citizens
- Boost competitiveness

Results To-Date:

- 87 guidelines and regulations eliminated
- 67% reduction in regulatory burden

Guiding Principles

1. **Not all cases are the same:** Interventions should be proportional to the complexity or risk they represent.
2. **Simplified evaluation:** Eliminate redundancies, unnecessary steps and requirements.
3. **Ensure consistency and transparency in the evaluation process:** The outcome must be predictable, and the applicant should always have adequate visibility.

What we want to achieve...

1. Reduction in permit approval times
2. Greater legal certainty for investors
3. Increase in Puerto Rico's economic competitiveness
4. Sustainable development and coherent land use planning
5. Better integration between economic development strategies and urban planning
6. Sustainable development and coherent land use planning

Incentives Code

The Government's modernization efforts have led to an 86% reduction in the backlog of Incentive Code applications, while simultaneously enhancing the oversight and quality of the review process for these applications.

Incentive Code Applications Backlog

Backlog as of

12/31/2024

14,183

86% Reduction

Backlog Today

1,995

Increased Oversight of Incentive Code Applications

New Oversight Measures

- Creation of Audit and Compliance Committee
- Imposition of requirements to submit annual reports for all incentive programs
- Increase in the rigor of individual investor evaluations
- Active collaboration with the Department of the Treasury and the US Internal Revenue Service

Oversight Results:

- Audited 1,798 decrees
- Sent 305 deficiency notifications
- Cancelled 19 decrees
- Revoked 4 decrees
- Processed 887 voluntary submissions

Promoting Reshoring

The administration has enacted Executive Order 2025-012 to formalize its efforts to position the Island as a strategic hub for manufacturing and exporting.

Executive Order 2025-012

- Establish and implement a reshoring strategy to promote increased investments for production in Puerto Rico.
- Formalize efforts to position the Island as a strategic hub for production and export within the industrial sector of the United States.
- Organize a Reshoring Task Force, led by the Secretary of Economic Development.

- 1 Created 'Reshoring Task Force'
- 2 Multisectorial Advisory Board
- 3 Strategy and funding for workforce training
- 4 Single Window for Investment Center
- 5 Fast-tracking of Reshoring Projects
- 6 Organization of the Investment and Reshoring Summit in Puerto Rico

Representative Investments

The Government's reshoring initiatives have successfully attracted significant investments in the pharmaceutical and medical device sectors, fostering economic diversification and strengthening our economic base.



\$650 million Upgrade to Manufacturing Facility, 750 Additional Jobs⁽¹⁾

- Expansion of biologics manufacturing facility in Juncos
- 30+ year presence in Puerto Rico with multidecade commitment
- Part of \$40 billion total U.S. manufacturing and R&D investment since 2017

September 2025



\$1.2 billion Expansion of Manufacturing Facility, 1,100 Additional Jobs⁽²⁾

- Modernization of Lilly del Caribe manufacturing site in Carolina
- Will manufacture orforglipron, first oral GLP-1 receptor agonist
- Construction begins '26, production starts end of '28

October 2025



\$45 million New Manufacturing Facility, 180 Additional Jobs⁽³⁾

- 64,000 sq ft manufacturing facility in Caguas
- ANGIO-SEAL vascular closure device production

August 2025



\$30.5 million Expansion of Manufacturing Facility, 90 Additional Jobs⁽⁴⁾

- Expansion of Arecibo manufacturing operations
- Electrical/automation products for industrial systems

July 2025

Hotel Project Pipeline

Puerto Rico's economic momentum has attracted 13 new hotel developments by major global brands across the island.



INTERCONTINENTAL®

ESENCIA

Condado
Hospitality



JW MARRIOTT

El Tuque Hotel
Complex in Ponce



MARRIOTT
BONVOY
One Distrito Apartments

Vieques Luxury
Residences

New Direct Airline Routes to/from Puerto Rico

Puerto Rico continues to drive tourism growth with the addition of 15 new direct routes to and from the island across 7 airlines, including connections to the mainland USA and international destinations.

SAT – San Antonio International Airport (Texas, USA)	PHL – Philadelphia International Airport (Pennsylvania, USA)
IAD – Washington Dulles International Airport (Washington, D.C.)	BUF – Buffalo Niagara International Airport (New York, USA)
SDQ – Las Américas International Airport (Santo Domingo, RD)	RIC – Richmond International Airport (Virginia, USA)
PUJ – Punta Cana International Airport (Punta Cana, RD)	JAX – Jacksonville International Airport (Florida, USA)
DOM – Douglas–Charles Airport (Dominica)	ORF – Norfolk International Airport (Virginia, USA)
MAD – Adolfo Suárez Madrid–Barajas Airport (Madrid, España)	ORD – O'Hare International Airport (Chicago, Illinois, USA)
SXM – Princess Juliana International Airport (St. Maarten)	IND – Indianapolis International Airport (Indiana, USA)
LGA – LaGuardia Airport (New York City)	

jetBlue

spirit

FRONTIER
AIRLINES

 **arajet**

IBERIA 

 **CONTOUR**

Southwest 

Initiatives to Increase Exports

Puerto Rico has established trade initiatives, international event participation, and expanded free trade zones to increase exports. These free trade zones promote international trade, reduce costs for businesses, and improve competitiveness across the island.

Executive Order 2025-012

- 13 events, including trade missions that allow local companies' products and services to be positioned in global markets
- Create commercial meeting points on the island with promotional activities to attract international buyers and position the island as an export hub.
- Support with incentives and education

International Events

Aug. 2025	Puerto Rico Going Global PUERTO RICO	Jun. 2026	Expo Puerto Rico (DDEC) PUERTO RICO
Nov. 2025	Trade Mission B2B SPAIN	Jul. 2026	Trade Mission B2B CANADA
Feb. 2026	Trade Mission B2B FLORIDA	Aug. 2026	Trade Mission B2B TEXAS
Mar. 2026	Expocomer Trade Show PANAMA	Sept. 2026	Pack Expo Trade Show FLORIDA
Apr. 2026	Interphex Trade Show NEW YORK	Oct. 2026	PLMA Trade Show CHICAGO
May 2026	Misión Comercial B2B MIDDLE EAST	Nov. 2026	PLMA Trade Show CHICAGO
		Dec. 2026	Trade Mission B2B EL SALVADOR

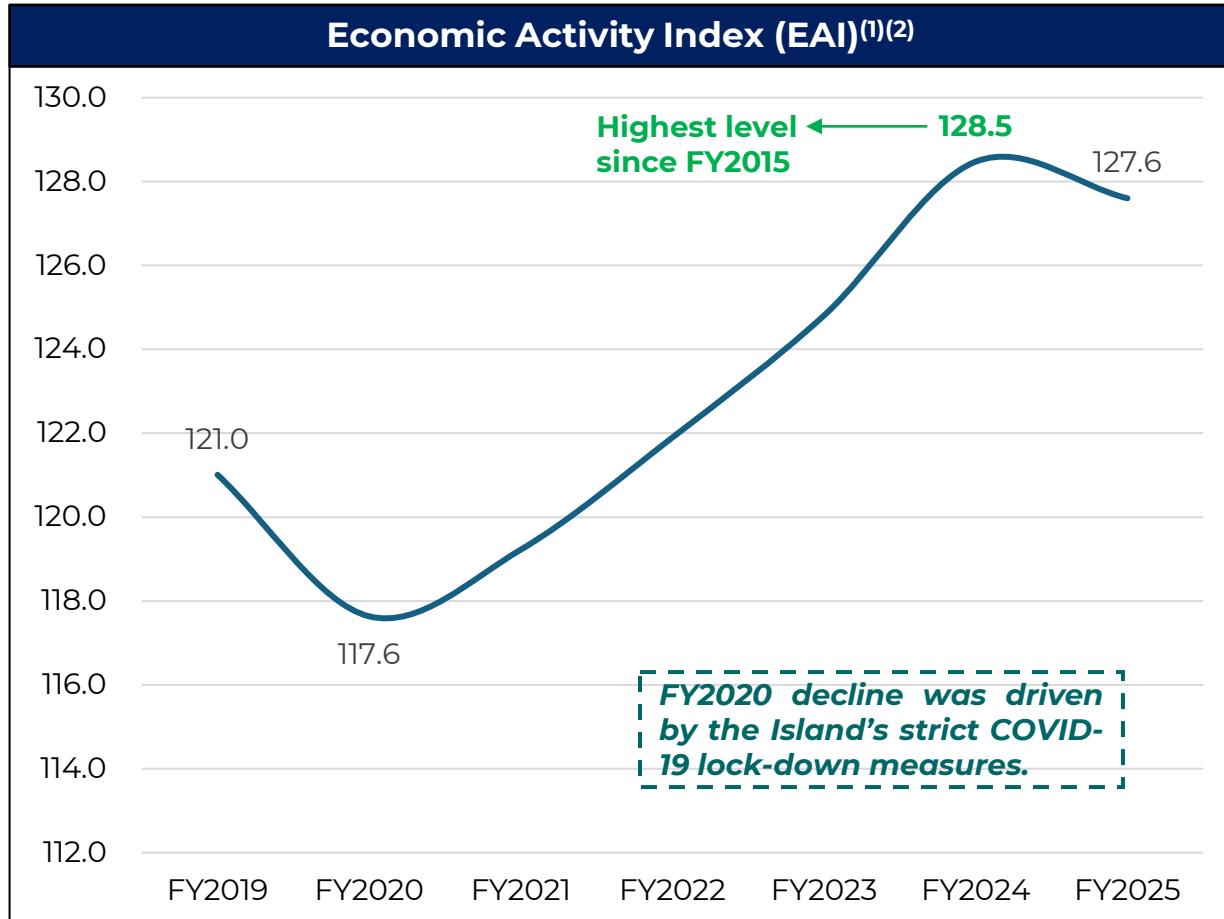
Free Trade Zones

- Deferred payment of duties in the U.S.
- 100% exemption from municipal license tax on all exports outside the U.S.
- 100% exemption from property tax (inventory + equipment) and 60% exemption from property tax (real estate) while in the zone
- Exemption from duties on defective, damaged, or expired goods

Economic Data



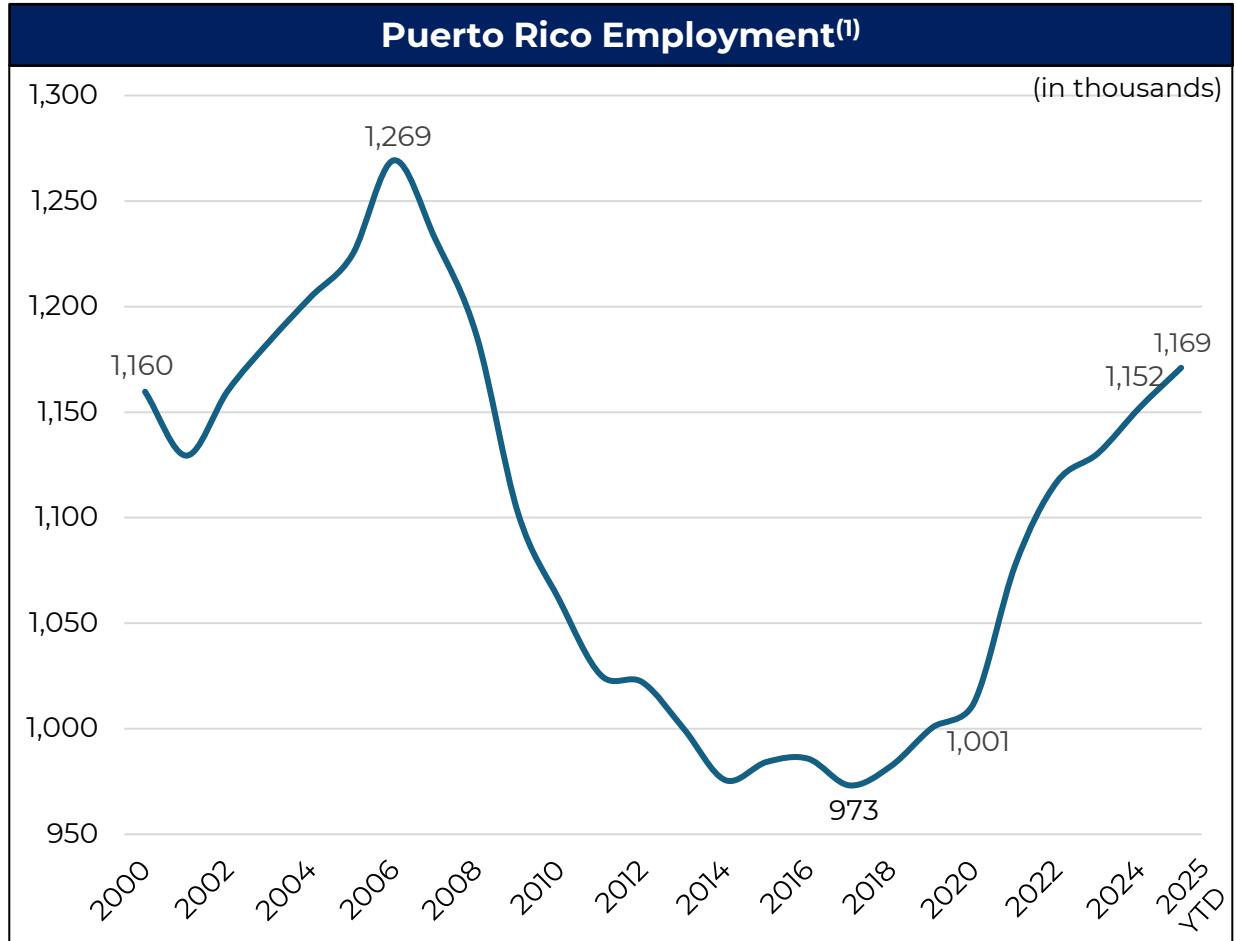
Economic Activity Index



Since FY2020, the EAI has increased 10 points or 8.5%.

+10.0 / +8.5%
(Since FY2020)

Total Employment

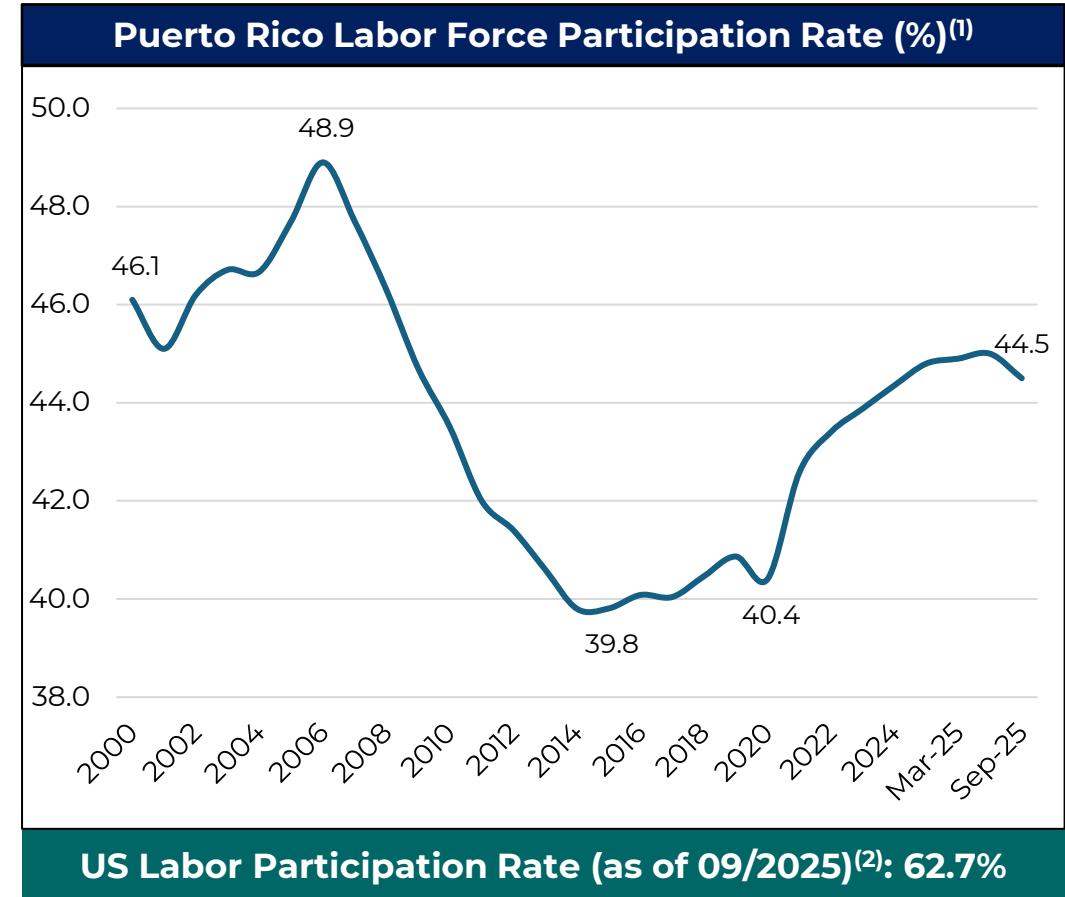
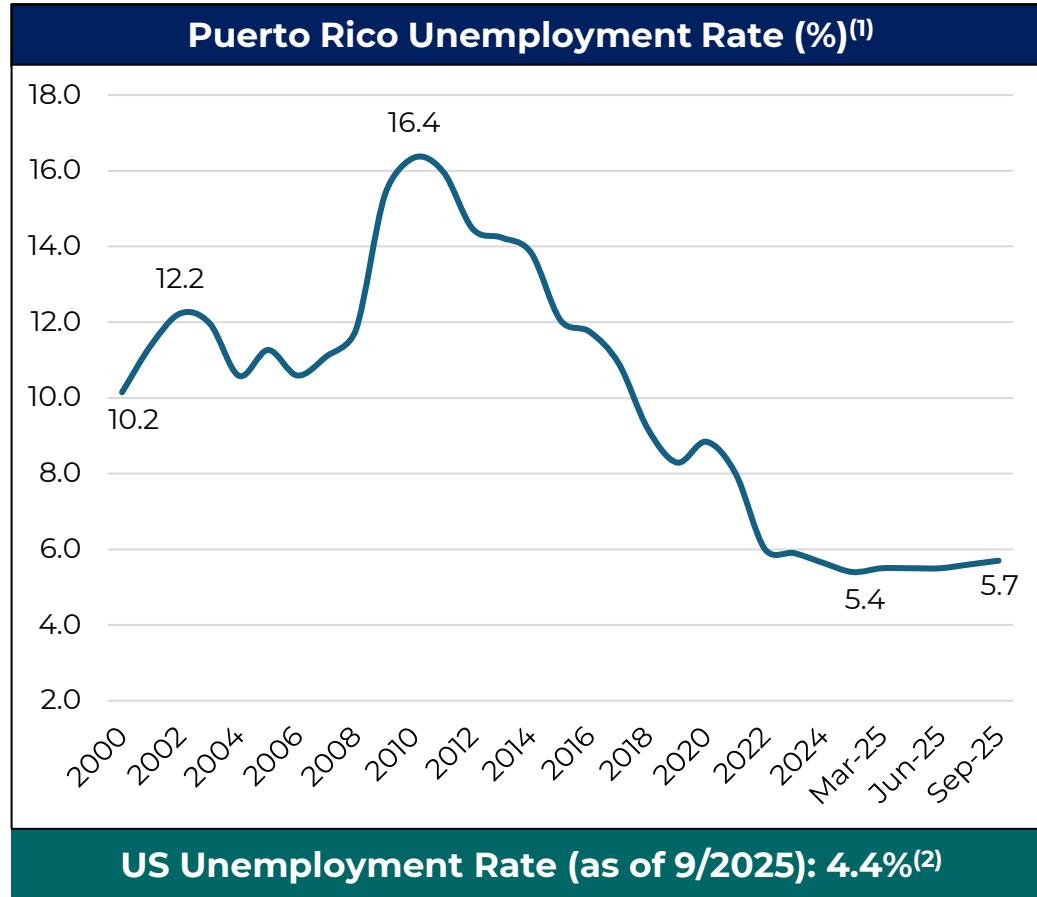


Puerto Rico's total employment is at its highest level since 2008.

+196,000 / +20.1%
(Since 2017 lows)

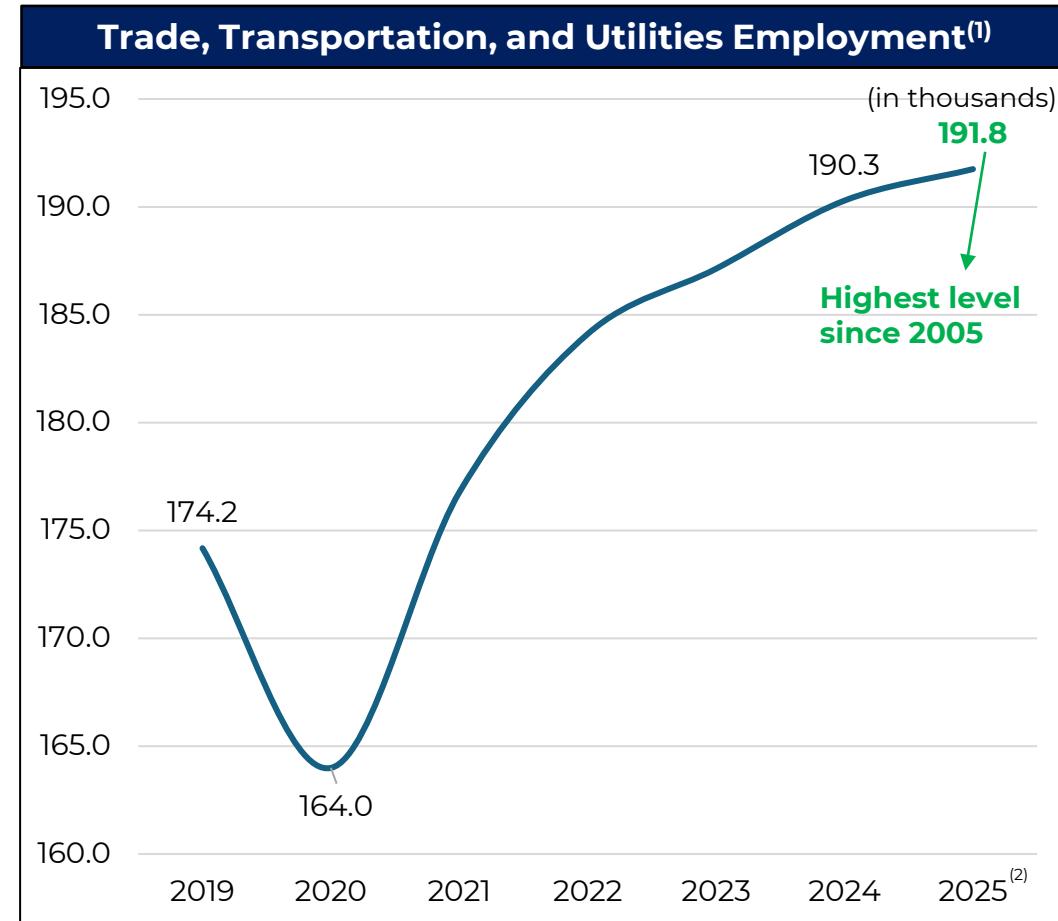
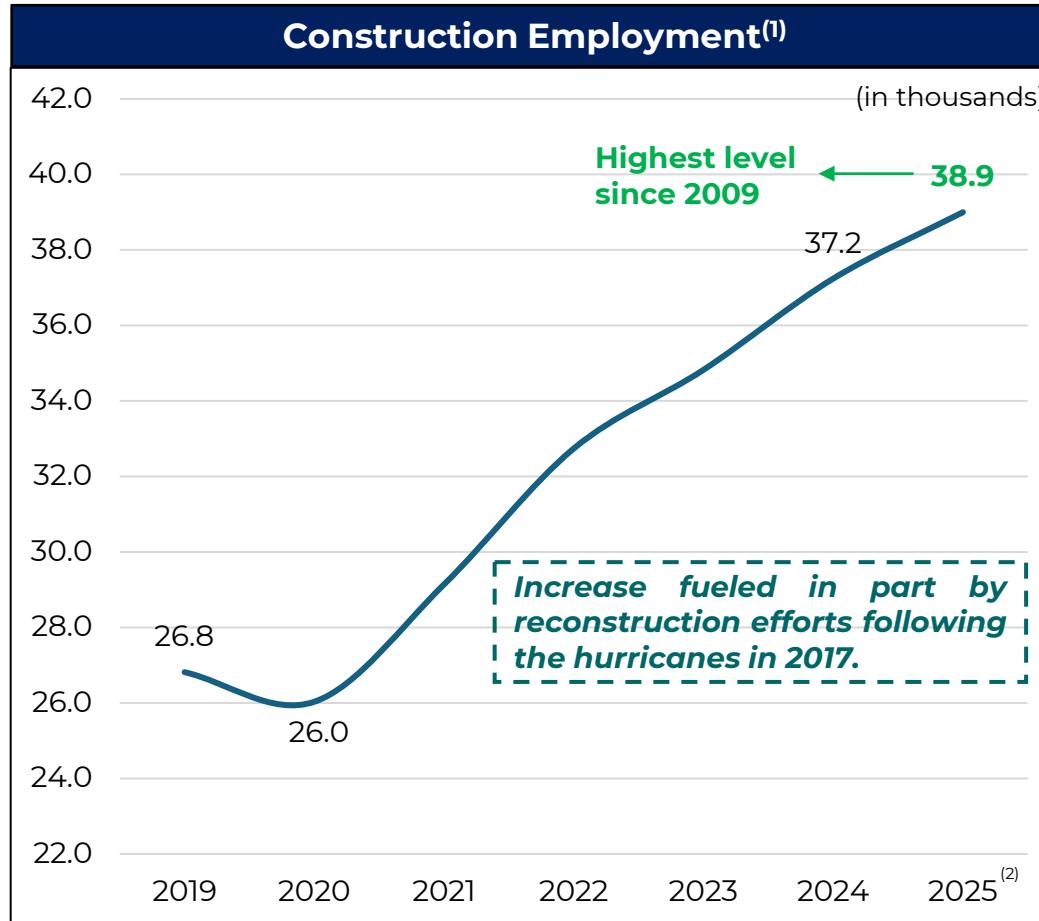
Unemployment and Labor Force Participation

After multiple decades of unemployment rates above 10%, Puerto Rico's unemployment rates are at its lowest levels and labor force participation has increased by 4.7% since 2015.



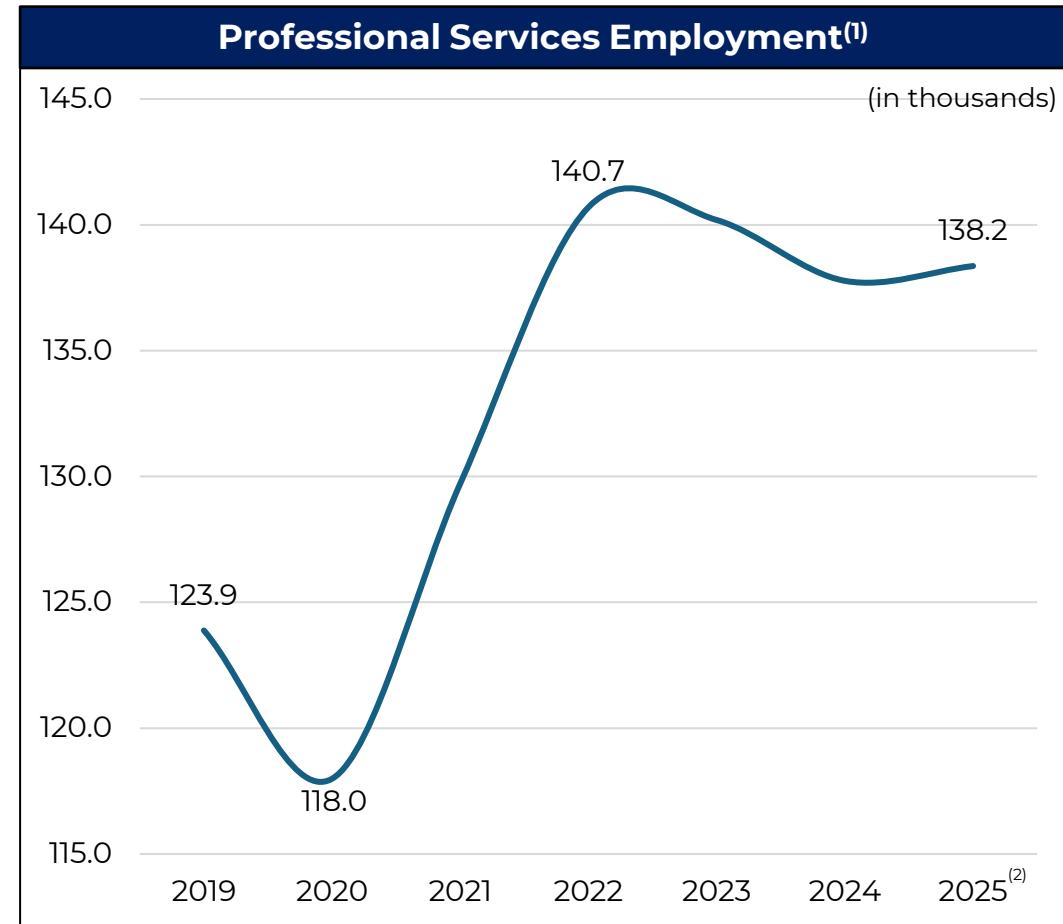
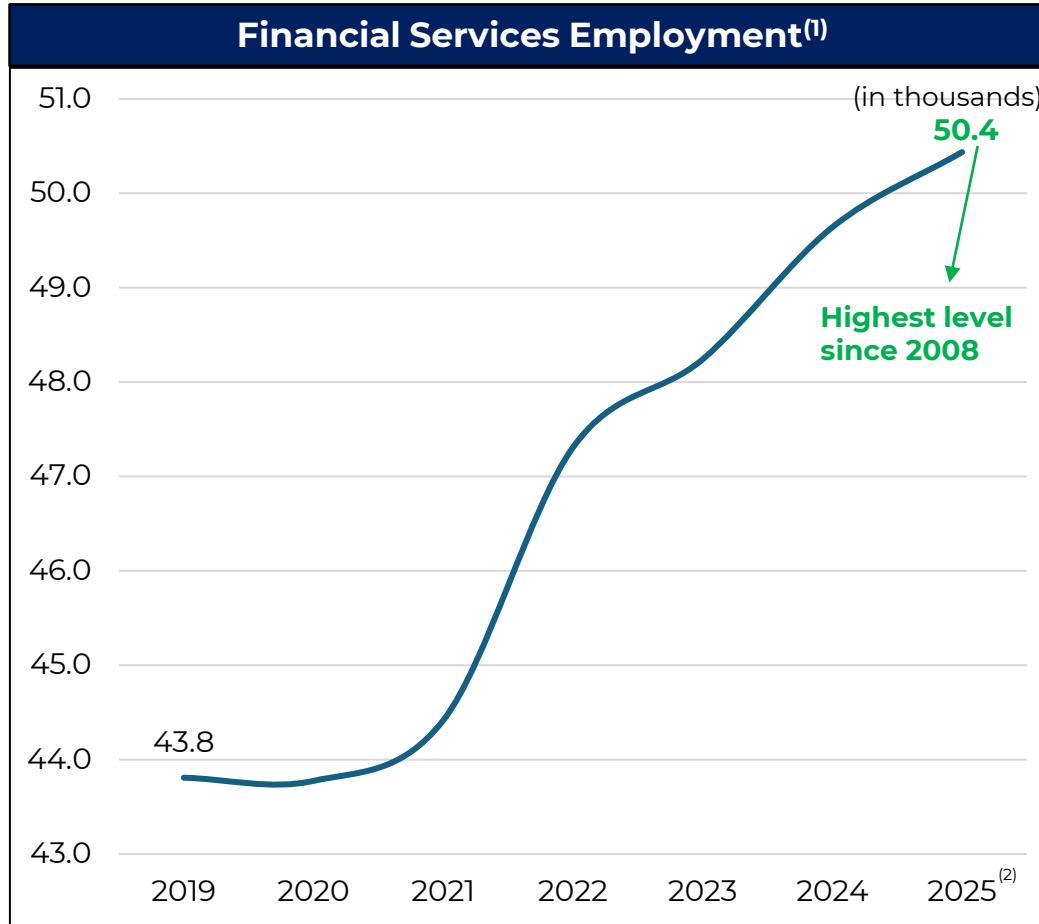
Employment Growth in Key Sectors

Fueled by reconstruction efforts and new investments by pharma and manufacturing companies, employment in the construction and trade/transportation, and utilities sectors are at their highest levels since 2012 and 2005, respectively.



Employment Growth in Key Sectors (continued)

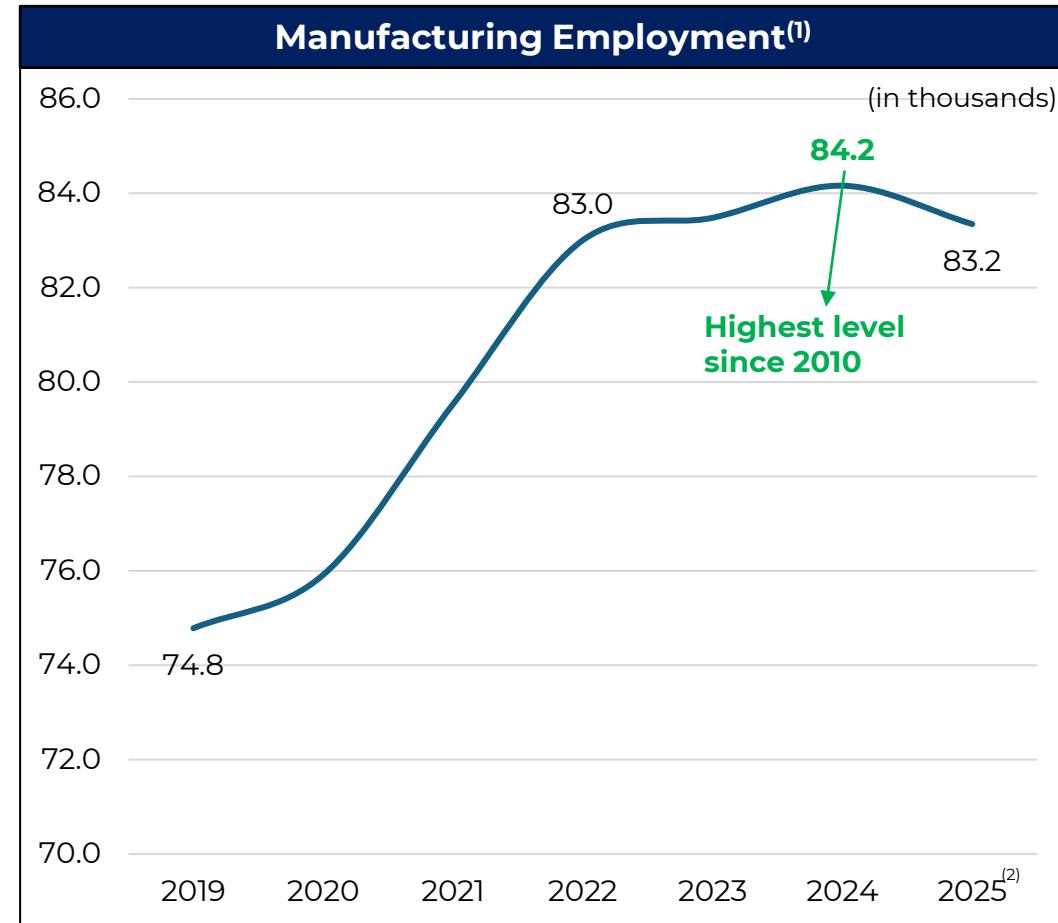
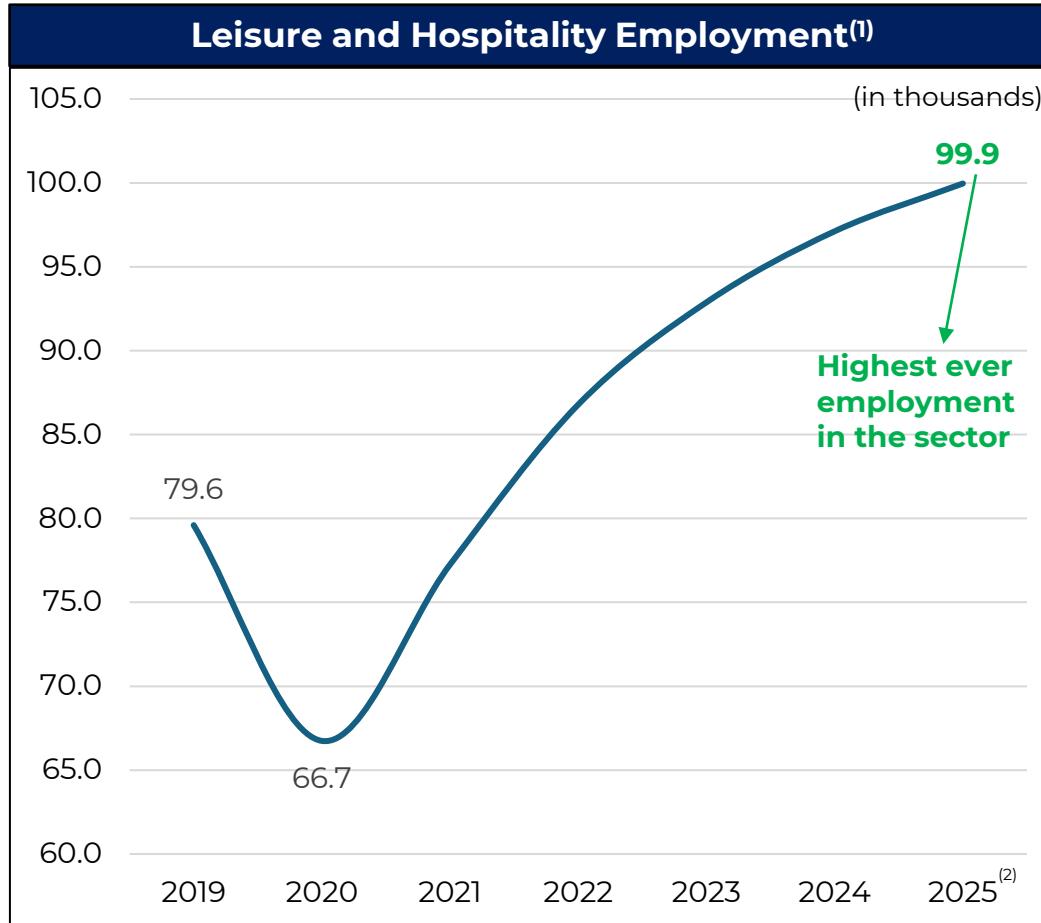
Robust performance by commercial banks and new financial and professional services companies attracted, in part, by Act 60 incentives have resulted in strong job growth in these sectors.



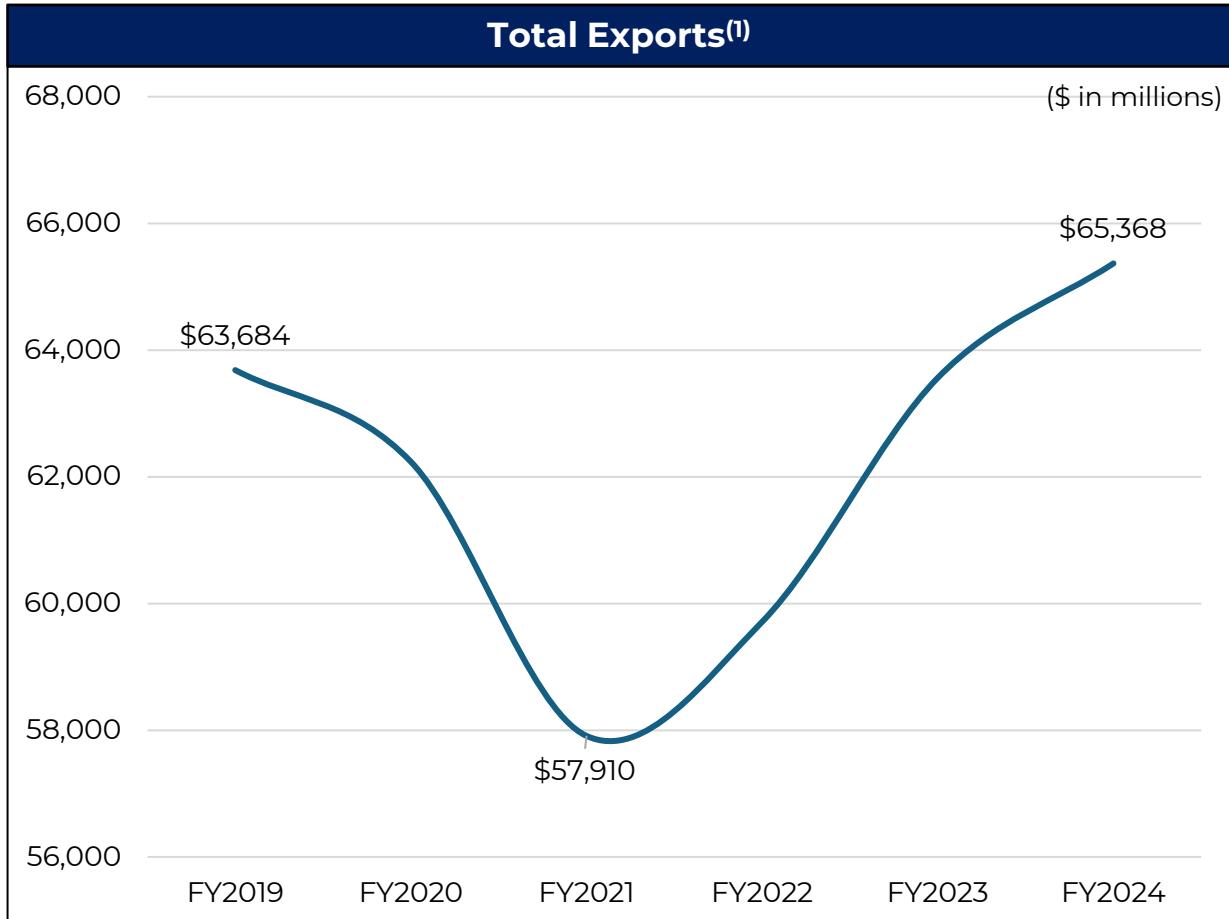
Notes: (1) Sourced from the Puerto Rico Department of Labor. All figures are seasonally adjusted. (2) 2025 represents the employment from January 2025 to September 2025.

Employment Growth in Key Sectors (continued)

Leisure and hospitality employment, guided by strong tourism activity, including increasing occupancy in hotels, short-term rentals, and cruise ship visits, has taken employment in the sector to historical levels.



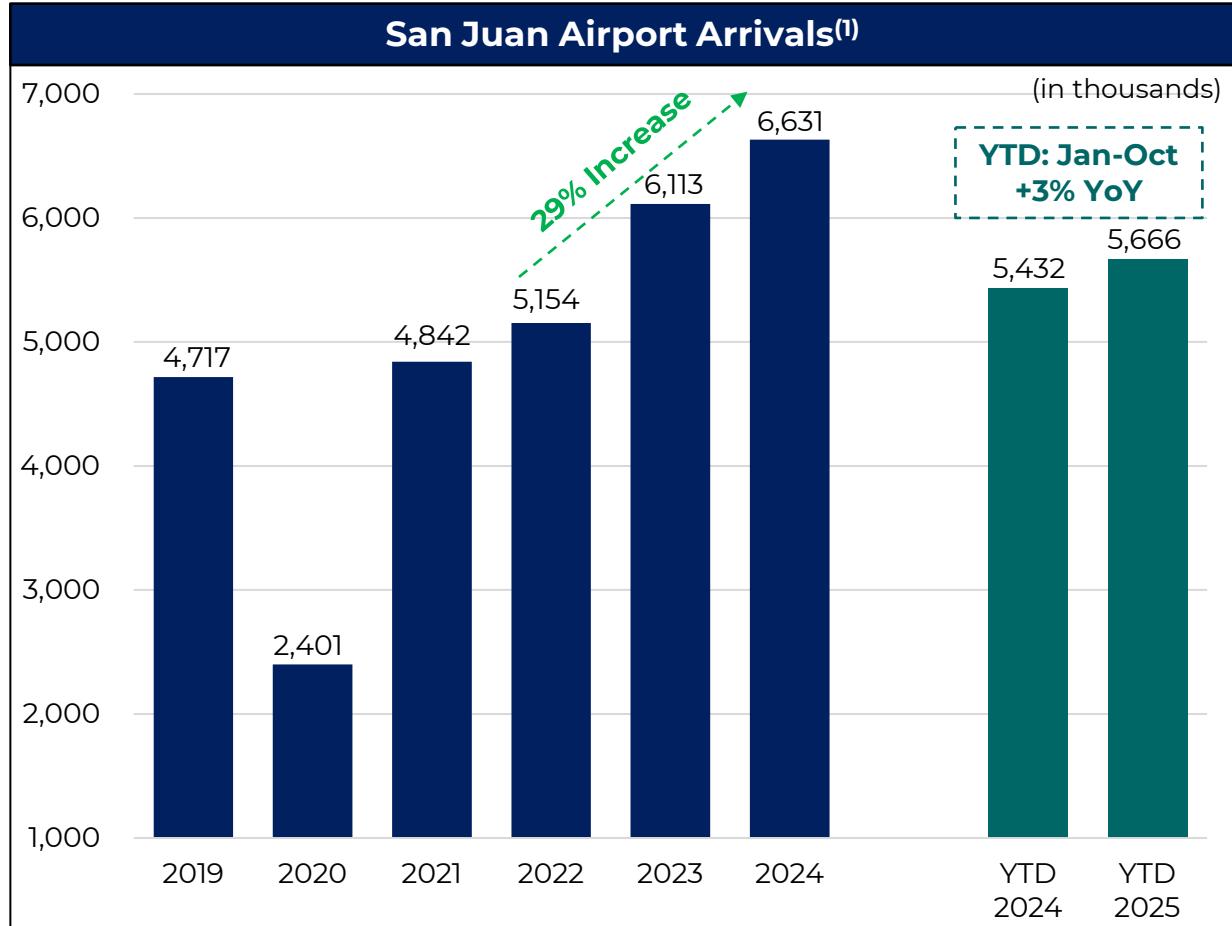
Total Exports



Puerto Rico's total exports have grown 13% since FY2021

+\$7.5 billion / +13%
(Since FY2021)

Leisure and Hospitality Sector | San Juan Airport Arrivals

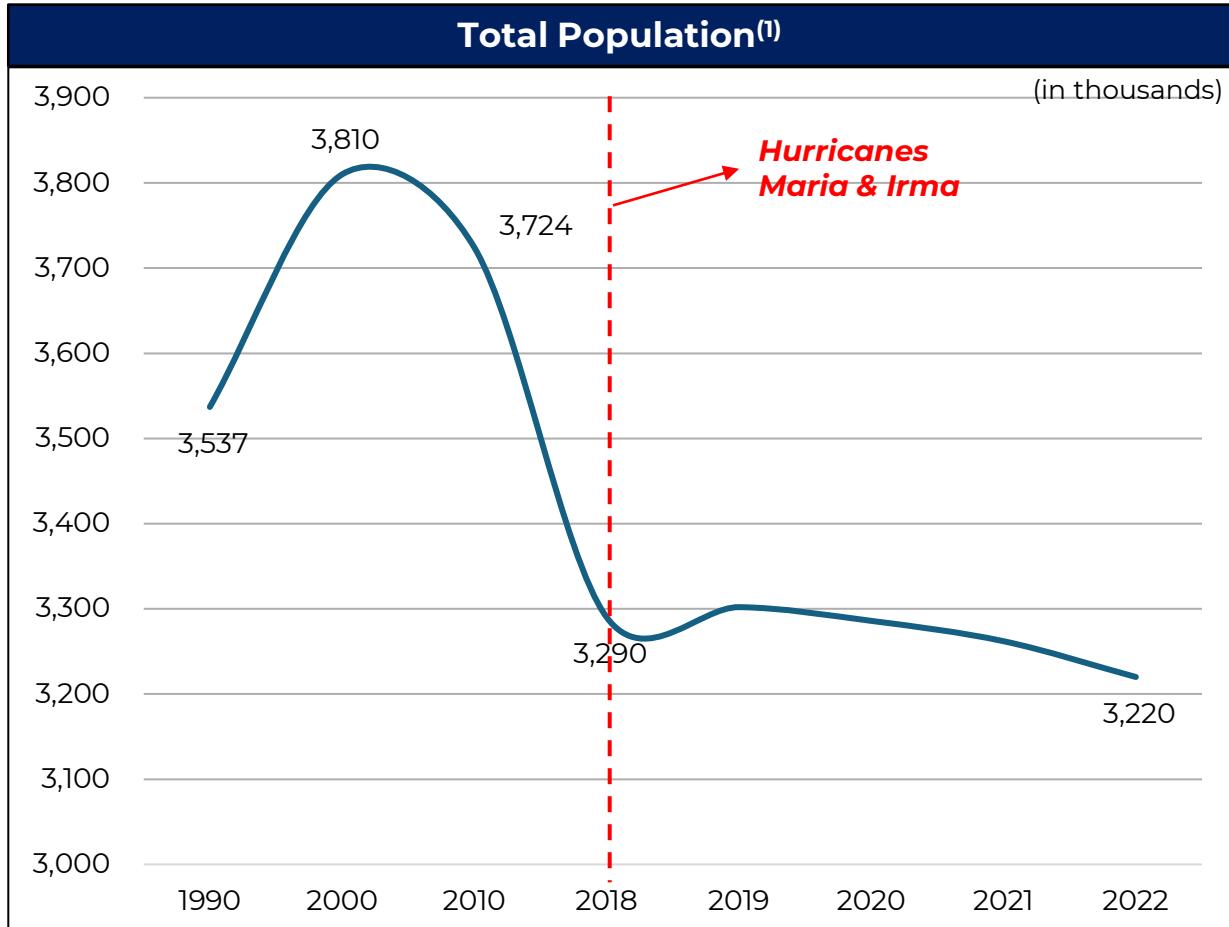


San Juan airport arrivals increased by 29% over the past two calendar years.

+233,000 / +3%

(Arrivals YTD 2025 vs. YTD 2024)

Population Trends



Population has stabilized in recent years, when compared to the outmigration experienced between 2010-2018.

PREPA T3 Status



PREPA T3 Status



PREPA's Title III Update

- In July 2024, the Title III Court stayed all PREPA plan confirmation matters and all litigation on bondholder issues due to the June 2024 First Circuit decision reversing, in part, the Title III Court's prior orders regarding PREPA Bondholder liens and claims. The Court ordered the parties to mediate these issues.
- In March 2025, the Title III Court partially lifted the stay to allow (1) the FOMB to file an amended plan of adjustment and (2) Bondholders to file an administrative expense motion for any Net Revenues (Bondholder collateral) PREPA generated and did not pay to Bondholders (the "Administrative Expense Motion").
- Legal briefing on the Administrative Expense Motion is complete; however, discovery remains open.
 - In August 2025, the Title III Court suspended deadlines associated with the Administrative Expense Motion based on uncertainty in FOMB membership.
 - The Court will address whether to continue discovery at a December 10, 2025, hearing.
- Plan of Adjustment Proceedings remain stayed until after the Court rules on the Administrative Expense Motion.
 - In October 2025, certain Bondholders that previously supported the Plan, terminated their support.
- The Mediation Team, along with their financial advisors, continue to engage with the various parties to develop consensus over a Plan of Adjustment for PREPA.
- Ending PREPA's Title III remains one of the Government's top priorities. While we remain committed to supporting a comprehensive resolution of PREPA's legacy obligations, such resolution must help foster a reliable, resilient, and affordable power system for Puerto Rico.

END

