

Research Update:

# Lufthansa 'BBB-' Rating Affirmed Despite Headwinds From Middle East War; Outlook Remains Stable

April 15, 2026

*(Editor's Note: S&P Global Ratings believes there is a high degree of unpredictability around the duration and scale of the Middle East war and its potential effect on commodity prices, supply chains, economies, and credit conditions. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly.)*

## Rating Action Overview

- We maintain our S&P Global Ratings-adjusted EBITDA forecast of €4.5 billion-€4.8 billion for Lufthansa in 2026; this is under our base-case assumption of only a partial recovery in Hormuz crude and oil product transit volumes by late April, with a gradual improvement through May and full restoration of Gulf supply to global markets not until the summer months.
- Our forecast is supported by resilient demand so far, particularly for premium leisure air travel, Lufthansa's proactive revenue management, and increasing cost efficiencies from the accelerated fleet renewal; these trends will likely continue into 2027 and underpin further growth in adjusted EBITDA.
- We now view Lufthansa's operating efficiency and profitability assessment as commensurate with the fair business risk profile, which we consider to be at the higher end of the category, supported by the group's comparatively large scale and scope, and its diversification into non-passenger-related segments.
- The accelerated fleet renewal will drive up the group's adjusted debt to €8.5 billion-€9.5 billion in 2026-2027 from €7.0 billion in 2025 and likely weaken adjusted funds from operations (FFO) to debt to 40%-45% from 50.4% in 2025; we expect this to recover to 45%-55% in 2027 thanks to continual profitability improvement and earnings growth offsetting the build-up of leverage.
- We therefore affirmed our 'BBB-' long-term and 'A-3' short-term issuer credit ratings on Deutsche Lufthansa AG.
- The stable outlook reflects our view that Lufthansa will be able to limit the negative earnings effects of the Middle East war assumed under S&P Global Ratings' base-case scenario and maintain weighted-average adjusted FFO to debt above 40% over the next two years.

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## Rating Action Rationale

**Our adjusted EBITDA forecast of €4.5 billion-€4.8 billion in 2026 will likely be largely resistant to the headwinds from the Middle East war.** This compares with €4.1 billion in 2025 and €3.8 billion in 2024. Under our current base case--assuming only a partial recovery in Hormuz crude and oil product transit volumes by late April, with a gradual improvement through May and full restoration of Gulf supply to global markets not until the summer months--we now expect an average unhedged jet fuel price of between \$140/barrel (bbl) and \$145/bbl in 2026. This will likely increase the fuel bill by about €1.5 billion compared with our previous assumption of about €7.2 billion (and €7.3 billion in 2025) if Lufthansa maintains its capacity plan for the year with a 4% year-over-year increase, as measured by available-seat-kilometers. Our updated 2026 fuel bill forecast factors in hedges on 45% of Lufthansa's gasoil and 32% of brent crude oil consumption as of Feb. 28, 2026. Our current base case does not assume disruptions in the physical supply of jet fuel.

Our EBITDA forecast factors in sustained and robust--albeit potentially uneven in terms of route and class--demand for Lufthansa flights, particularly for leisure travel within the group's premium segment. This is underpinned by the group's leading positions in its major hubs located in wealthy catchment areas, such as Germany and Switzerland, alongside a mid-single-digit increase in average yields supported by industry-wide capacity constraints. We acknowledge the risk from the unhedged fuel position, given the recent spike in the jet fuel price. However, we expect Lufthansa will be able to largely pass on fuel cost increases to passengers, especially on its core long-haul Transatlantic routes, considering the same measures being implemented by its peers, especially U.S. carriers that are fully exposed to jet fuel volatility with largely no fuel hedges. Lufthansa's revenue will also benefit from air passenger and cargo traffic flows to and from Asia, which were previously largely served by Middle East carriers and have been disrupted by the Middle East war.

EBITDA growth will be further supported by the airline's turnaround program, which aims to combine operational stability improvement, revenue growth, and cost reduction, while adding €1.5 billion to gross earnings by 2026 and €2.5 billion by 2028. The program produced tangible financial results in 2025, such as a reduction in irregularity costs and a rise in revenue from flight-related ancillary services. Additionally, we anticipate continued strength in the Lufthansa Cargo logistics business, benefitting from the recent increases in air freight yields as the Middle East war is impairing maritime freight flows and resilient performance in Lufthansa Technik maintenance repair and overhaul (MRO).

**The delayed improvement in the profitability of Lufthansa's core passenger business constrains its business risk profile.** We revised the business profile to fair as the group's EBITDA margin has consistently underperformed our 15% threshold for the satisfactory business risk profile category. The slower than previously expected fleet renewal, which we foresee accelerating this year, delayed Lufthansa's transition to a more fuel-efficient and harmonized fleet typically associated with lower maintenance and service costs and higher operating efficiencies. This is one of the major reasons why Lufthansa has brought forward the timeline for its internal adjusted EBIT margin target of 8% by 2028. We also understand that Lufthansa's expensive unionized personnel puts more constraints on operating efficiency and profitability in its core passenger airline business compared with some peers.

That said, we view Lufthansa's business risk profile as being at the higher end of the fair category, underpinned by: i) its comparatively large scale and scope as the largest airline in Europe by

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revenue and operating one of the largest route networks globally with balanced exposure to high-yield, premium, and long-haul air traffic across the route portfolio; ii) diversification into non-passenger-related businesses with global leading positions in MRO and air cargo; and iii) the measures Lufthansa is taking to improve profitability.

**Sustained earnings growth is a key stabilizing factor for our 'BBB-' issuer credit rating on Lufthansa, as the group pursues its fundamental fleet transformation program.** We assume that net capital expenditure (capex) will stay elevated at up to €3.3 billion (gross capex of €5.5 billion-€6.0 billion) in 2026, after €2.7 billion (€4.2 billion) in 2025, and we forecast at least this level in 2027. In our view, this will continue weighing on cash flow and balance sheet deleveraging. Accordingly, we forecast a build-up of S&P Global Ratings-adjusted debt over 2026-2027 to €8.5 billion-€9.5 billion, compared with €7.0 billion in 2025. However, the expected improvement in EBITDA to €4.5 billion-€4.8 billion in 2026 and €5.0 billion-€5.5 billion in 2027 should largely absorb these investments, resulting in adjusted FFO to debt of 40%-45% in 2026, improving toward 45%-55% in 2027. This compares with about 50% in 2025, partly boosted by a positive cash tax effect, which we expect to reverse this year. While our FFO-to-debt ratio forecast is consistent with our 40% threshold for the rating, headroom for unexpected operational or financial setbacks will remain limited.

## Outlook

The stable outlook reflects our view that Lufthansa will be able to limit the negative earnings effects of the Middle East war assumed under S&P Global Ratings' base-case scenario and maintain weighted-average adjusted FFO to debt above 40% over the next two years.

### Downside scenario

We could lower the ratings if, for example:

- The negative effects of the Middle East war appear to be more pronounced or lasting than assumed under our base case and weigh on Lufthansa's earnings, such that adjusted FFO to debt falls below 40%, with limited prospects for improvement. This could occur if intensifying inflationary pressures hit consumer confidence and travel affordability, fuel prices increase beyond our base case and cannot be passed on, or if there is a disruption of physical availability of fuel that constrains the airline's capacity; or
- Credit measures do not meet our rating thresholds over a sustained period due to a large debt-funded acquisition.

### Upside scenario

We could raise our ratings if Lufthansa improves its adjusted FFO to debt toward 60% and maintains this level, underpinned by consistent growth in its earnings and operating cash flow. We could also raise the ratings if Lufthansa improves its adjusted EBITDA margin to at least 15% on a sustained basis. Any upgrade would also hinge on a prudent financial policy that prioritizes the sustainability of improved ratios over shareholder remuneration.

## Company Description

Lufthansa is the fourth-largest airline in the world, with operations out of main hubs in Frankfurt, Munich, Zurich, Vienna, and Brussels, under the brands Lufthansa Airlines, SWISS, Austrian

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Airlines, and Brussels Airlines. In addition, the group's passenger business encompasses point-to-point airlines, including Eurowings, Discover, Air Dolomiti, and Edelweiss.

In 2025, Lufthansa generated about 57% of EBIT from its passenger airline businesses (compared with 70%-80% before the COVID-19 pandemic). Non-passenger segments, such as MRO and airfreight/cargo, accounted for the remaining 43% (20%-30% in 2019). Lufthansa is among the largest global network carriers and one of two leading airline groups in Europe. It also has a number one market position in Germany, while its regional brands are well established.

The group maintains leading market shares at its Frankfurt, Munich, Zurich, Brussels, and Vienna hubs, notwithstanding fierce competition, while its wealthy catchment area (Germany and Switzerland, in particular) typically generates solid demand for travel. Before the COVID-19 pandemic, flights outside Europe accounted for about 70% of Lufthansa's revenue passenger kilometers, with long-haul flights to and from the Americas, mainly the U.S., contributing to half of these flights.

The number of aircraft in Lufthansa's fleet has changed only marginally since December 2024, standing at 737 as of Dec. 31, 2025. At this date, the average age of the aircraft in the fleet was 14.4 years, compared with 14.0 in 2024. The airline continues to modernize its fleet, with fixed orders for 219 aircraft due for delivery in the period up to 2032.

Lufthansa acquired a 41% stake in ITA Airways for €325 million in January 2025, integrating it as the fifth network carrier in the group. As of April 2026, ITA has joined the Star Alliance, integrating with Lufthansa's Miles & More loyalty program, codesharing on over 100 routes, and launching a new app.

## Liquidity

We regard Lufthansa's liquidity profile as strong, underpinned by its ample cash position and availability under its sustainability-linked revolving credit facility (RCF). The company's liquid funds amounted to €10.7 billion as of Dec. 31, 2025, and included €8.1 billion cash and liquid securities on the balance sheet and €2.5 billion available on the undrawn RCF.

Furthermore, our assessment is underpinned by Lufthansa's prudent risk management and sources covering uses, even if EBITDA declines 50% under a stress scenario. In our base case, liquidity sources exceed uses by about 1.9x in the 12 months started Jan. 1, 2026, and by 1.6x in the subsequent 12 months.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"><li>• Unrestricted cash, cash equivalents, and liquid securities of €8.1 billion.</li><li>• Available funds under the committed RCF maturing beyond 12 months of about €2.5 billion.</li><li>• Our forecast FFO of €3.0 billion-€3.3 billion.</li></ul>	<ul style="list-style-type: none"><li>• Debt maturities of about €2.2 billion.</li><li>• Our forecast intra-year working capital outflows of €1.5 billion.</li><li>• Net capex of up to €3.3 billion.</li><li>• Dividends of about €381 million.</li></ul>

## Environmental, Social, And Governance

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Environmental factors are a negative consideration, as they are for the broader airline industry, reflecting the need to reduce greenhouse gas emissions. Therefore, Lufthansa will continue upgrading its fleet--which is about 14.4 years old--with aircraft that are more fuel-efficient. Even though this will result in significant cash outflows, it will reduce running costs and negative environmental effects.

Social factors are a negative consideration in our credit rating analysis of Lufthansa. This reflects the correlation of air passenger traffic and Lufthansa's operating performance with health and safety risks, such as pandemics. For example, the COVID-19 pandemic weighed on Lufthansa's performance, which led us to lower our rating on the group by four notches.

### Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB-/Stable/A-3
Local currency issuer credit rating	BBB-/Stable/A-3
Business risk	Fair
Country risk	Low
Industry risk	High
Competitive position	Strong
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bb+

### Modifiers

Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Strong
Management and governance	Neutral
Comparable rating analysis	Positive
Stand-alone credit profile	bbb-

## Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018

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- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Related Research

- [Global Economic Outlook Q2 2026: Middle East War Dents The Forecast](#), March 31, 2026
- [Global Credit Conditions Q2 2026: Narrow Strait, Broad Implications](#), March 31, 2026

## Ratings List

### Ratings List

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#### Ratings Affirmed

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#### **Deutsche Lufthansa AG**

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Issuer Credit Rating	BBB-/Stable/A-3
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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